

PACIFICORP/PORTLAND GENERAL ELECTRIC

PNW AC Intertie FOIA Request

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November 19, 2002

Customer	Contract No.
PACIFICORP	29224
	92299
	94278
	94285
	94332
	94333
	94600
	94628
PORTLAND GENERAL	29225
	56747
	63627
	92277
	92340
PGE/PAC/USBR	59840

05/25/94

AC INTERTIE TRANSMISSION AGREEMENT

executed by the

UNITED STATES OF AMERICA**DEPARTMENT OF ENERGY**

acting by and through the

BONNEVILLE POWER ADMINISTRATION

and

PACIFICORP**Index to Sections**

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This AC INTERTIE TRANSMISSION AGREEMENT, executed June 1, 1994, by the UNITED STATES OF AMERICA (Government), Department of Energy, acting by and through the BONNEVILLE POWER ADMINISTRATION (Bonneville), and PACIFICORP (PacifiCorp), a corporation organized and existing under the laws of the State of Oregon, (hereinafter referred to individually as "Party" and collectively as "Parties").

W I T N E S S E T H :

WHEREAS Bonneville and PacifiCorp, on August 27, 1982, entered into Contract No. DE-MS79-81BP90424, which, as amended or replaced, is hereinafter referred to as "Power Sales Contract"; and

WHEREAS PacifiCorp and the Western Area Power Administration Sacramento Area Office (Western) have entered into a contract dated September 17, 1992, which, as amended or replaced, is hereinafter referred to as "Western Sales Agreement", which provides for the sale of Electric Power from PacifiCorp to Western; and

WHEREAS PacifiCorp and the City of Redding (Redding) have entered into a contract dated October 19, 1993, which, as amended or replaced, is hereinafter referred to as "Redding Sales Agreement", which provides for the sale of Electric Power from PacifiCorp to the City of Redding; and

WHEREAS Bonneville and PacifiCorp entered into an Intertie Agreement, Contract No. DE-MS79-86BP92299, as amended, effective July 8, 1986, which is hereinafter referred to as " Intertie Agreement", and the Parties have replaced such agreement with Contract No. DE-MS79-94BP94332, which, as amended or replaced, is hereinafter referred to as "AC Intertie Agreement"; and

WHEREAS Bonneville and PacifiCorp have entered into a Letter of Understanding (LOU) dated May 28, 1993, which provides that Bonneville shall under certain circumstances offer PacifiCorp interim and long-term firm transmission contracts providing wheeling for PacifiCorp's Western Sales Agreement and Redding Sales Agreement, and for nonfirm wheeling; and

WHEREAS Bonneville has developed the LTIAP, as defined below, which includes provisions for non-Federal access to the AC Intertie for transactions with Pacific Northwest and California utilities; and

WHEREAS the Parties agree that the terms and conditions of the LOU represent a Joint Venture pursuant to Section 4(b)(1) of the LTIAP; and

WHEREAS consistent with the LOU and in order to facilitate the arrangements provided for in the Western Sales Agreement and the Redding Sales Agreement, Bonneville will provide transmission service in a North-to-South direction from the Points of Interconnection, over the AC Intertie, for deliveries of Electric Power to Western, Redding, and other third parties at the Points of Delivery, and transmission service in a South-to-North direction from the Points of Interconnection, over the AC Intertie, to the Points of Delivery for the delivery of Electric Power to PacifiCorp; and

WHEREAS in accordance with the LOU, Bonneville will provide such access to the AC Intertie for firm and nonfirm transactions up to the Transmission Demand both in a North-to-South and South-to-North direction without regard to the source or ultimate user of services provided under such transactions; and

WHEREAS PacifiCorp and Bonneville desire to provide for such services pursuant to the terms of this Agreement and pursuant to the terms of the LTIAP; and

WHEREAS Bonneville is authorized pursuant to law to dispose of Electric Power generated at various Federal hydroelectric projects in the Pacific Northwest, or acquired from other resources, to construct and operate transmission facilities, to provide transmission and other services, and to enter into agreements to carry out such authority;

NOW, THEREFORE, the parties hereto mutually agree as follows:

1. TERM OF AGREEMENT

This Agreement shall be effective on the Effective Date, and shall continue in effect until the earlier of (1) 2400 hours on December 31, 2018, or (2) the later of the termination date of the Western Sales Agreement or the Redding Sales Agreement. All liabilities incurred under this Agreement are hereby preserved until satisfied. Upon termination of this Agreement, Bonneville will offer to extend such services in an agreement to be executed by the Parties for a period of up to 25 years, based upon Bonneville's then standard terms included in similar agreements, provided that no mitigation charges shall be applied, beyond the applicable FERC-approved Bonneville rates, if PacifiCorp requires such service.

2. DEFINITION AND EXPLANATION OF TERMS

- (a) "AC Intertie" means Bonneville's rights in the following: two 500 kV transmission lines extending from John Day Substation to the Malin Substation and to the California-Oregon border; portions of John Day, Grizzly, and Malin Substations and the Sand Springs, Fort Rock, and Sycan Compensation Stations; a portion of the Buckley-Summer Lake 500 kV transmission line and associated substations; portions of the Buckley-Marion and Marion-Alvey 500 kV transmission lines and associated facilities; a portion of Bonneville's capacity rights in the Summer Lake-Malin 500 kV transmission line, Bonneville's rights in the Meridian-Malin 500 kV transmission line, Bonneville's share of ownership of the Alvey-Meridian 500 kV transmission line; Captain Jack Substation; the 10 kilometer 500 kV transmission line from Captain Jack Substation to the California-Oregon border; and any modifications, improvements, or additions to such facilities.
- (b) "Agreement" means this AC Intertie Transmission Agreement, Contract No. DE-MS79-94BP94285.
- (c) "Billing Energy" means the net amount of Electric Energy scheduled in a North-to-South direction and in a South-to-North direction during a month hereunder.
- (d) "COB" means the California-Oregon border.
- (e) "DC Intertie" means Bonneville's rights in the 1000 kV direct current (DC) transmission line, and associated substation facilities, extending from the Government's Big Eddy Substation to the Nevada-Oregon border.
- (f) "Demand Charge" means the demand charge specified in Section II.B. of Bonneville's IS-93 Rate, or its successor rate.
- (g) "Effective Control Action" means an action which when taken results in a specific mitigating response at a location or locations in the power system

related to the disturbances of concern, thereby providing acceptable power system performance.

- (h) "Effective Date" means 2400 hours on the date of execution.
- (i) "Electric Energy" means electric energy, expressed in kilowatthours.
- (j) "Electric Power" or "power" means electric peaking capacity, expressed in kilowatts, Electric Energy, or both.
- (k) "Energy Charge" means the energy charge specified in Section II.B. of Bonneville's IS-93 Rate, or its successor rate.
- (l) "FCRTS" means the Federal Columbia River Transmission System and other Pacific Northwest facilities over which Bonneville has transmission rights.
- (m) "FERC" means the Federal Energy Regulatory Commission, or its successor agency.
- (n) "LTIAP" means Bonneville's Long-Term Intertie Access Policy, dated May 17, 1988, and amended on April 8, 1993, attached hereto as Exhibit E.
- (o) "Operational Constraints" means limitations on the ability of the transmission system to operate due to any system emergency, loading condition, or maintenance outage on Bonneville facilities, or on facilities of an interconnected utility, that make it prudent to reduce AC Intertie loadings, whether or not all facilities are in service.
- (p) "OTC" or "Operational Transfer Capability" means the RTC less reductions caused by, but not limited to, physical limitations beyond the control of the Parties, and Operational Constraints, as determined by Bonneville, resulting from, among other things, line or equipment outages, stability limits, or loopflows.
- (q) "Pacific Northwest" is as defined in the LTIAP.

- (r) "Points of Delivery" means the points, specified and described in Exhibit C, where Electric Power made available by or on behalf of PacifiCorp shall be delivered by Bonneville.
- (s) "Points of Interconnection" means the points, specified and described in Exhibit C, where Electric Power shall be made available by or on behalf of PacifiCorp to Bonneville for transmission over the AC Intertie.
- (t) "Prudent Utility Practice" means, at any particular time, the generally accepted practices, methods, and acts existing prior thereto in the electrical utility industry, in the Western Systems Coordinating Council area, or, if there are no such practices, methods, and acts, the practices, methods, and acts, which, in the exercise of reasonable judgment in the light of the facts which were known at the time the decision was made, could have been expected to accomplish the desired result consistent with reliability and safety.
- (u) "RTC" or "Rated Transfer Capability" means the capability of a transmission line or system to transfer a specified quantity of Electric Power in a prudent and reliable manner.
- (v) "Remedial Action Schemes" means sets of fast automatic control actions employed to ensure acceptable power system performance following electrical disturbances as determined by Bonneville power flows and/or stability studies.
- (w) "Transmission Demand" means the maximum amount of Electric Power that Bonneville shall be obligated to transmit during an hour hereunder. Such amount is specified in Exhibit C and shall be changed only upon mutual agreement of the parties.
- (x) "Workday" means each day that PacifiCorp and Bonneville jointly observe as a regular workday.

3. EXHIBITS AND INTERPRETATIONS

The rights and obligations of the Parties with respect to the provisions hereunder shall be subject to and governed by this Agreement, including Exhibits A through E attached hereto and by this reference made a part of this Agreement. This Agreement sets forth the entire agreement of the Parties as of the date of execution. The headings used in this Agreement are for convenient reference only, and shall not affect the interpretation of this Agreement. PacifiCorp shall be the "Transferee" and Bonneville shall be the "Transferor" referred to in Exhibit A. In the event of a conflict between this Agreement and the terms contained in any Exhibit, the terms of this Agreement shall control.

4. TRANSMISSION OF ELECTRIC POWER

- (a) Subject to the other provisions of this Agreement, Electric Power shall be transmitted by Bonneville on a firm basis from South-to-North and from North-to-South over the AC Intertie, and PacifiCorp shall schedule pursuant to section 7(a) and make available, or arrange to have made available, to Bonneville at the Points of Interconnection the amounts of Electric Power that PacifiCorp determines are available for transmission to the Points of Delivery hereunder for each hour.
- (b) The hourly amounts of Electric Power to be transmitted hereunder shall not exceed the Transmission Demand as specified in Exhibit C.
- (c) During times when the North-to-South OTC of the AC Intertie is less than the North-to-South RTC, PacifiCorp's reduced net North-to-South scheduling rights shall be an amount determined by multiplying the North-to-South OTC of the AC Intertie by the ratio of PacifiCorp's North-to-South Transmission Demand to the North-to-South RTC of the AC Intertie. During times when the South-to-North OTC of the AC Intertie is less than the South-to-North RTC, PacifiCorp's reduced net South-to-North scheduling rights shall be an amount determined by multiplying the South-to-North

OTC of the AC Intertie by the ratio of PacifiCorp's South-to-North Transmission Demand to the South-to-North RTC of the AC Intertie.

- (d) Bonneville shall have the right to curtail transmission services hereunder to the extent of Operational Constraints. The amount of curtailment shall be consistent with Prudent Utility Practice.
- (e) PacifiCorp shall be responsible for providing or assuring at its cost the provision of its pro rata share of Remedial Action Schemes required to support the RTC and OTC of the AC Intertie in either the South-to-North or North-to-South direction. Bonneville and PacifiCorp shall jointly plan and coordinate the implementation of the Remedial Action Schemes. No Party shall unduly withhold consent regarding the implementation of the Remedial Action Schemes. PacifiCorp may implement the required Remedial Action Schemes where it chooses on its system as long as the required level of Effective Control Action is obtained. The level of reliability of the Remedial Action Scheme design on PacifiCorp's system shall be at least equal to the level of reliability employed in the design of the overall AC Intertie Remedial Action Scheme.
 - (1) PacifiCorp's contribution to the total operational responsibility for this Remedial Action Scheme shall be that part of the total responsibility determined by the ratio of the Transmission Demand to the total RTC of the AC Intertie.
 - (2) Bonneville shall provide the appropriate control signal or signals to PacifiCorp.
 - (3) PacifiCorp shall provide the necessary equipment to receive and transmit the control signal or signals to and from PacifiCorp's transmission, generation, and/or control center facilities to arm and initiate the appropriate Effective Control Action or Actions as determined by Bonneville.

- (4) In support of its obligations to provide generator dropping for its net North-to-South AC Intertie schedules, PacifiCorp shall provide generator dropping from its share of Mid-Columbia generation on-line at the time of the Remedial Action Scheme requirement.
- (5) Bonneville may, after it has exhausted its own capability to provide generator dropping in support of its obligation for net North-to-South AC Intertie schedules, have access to PacifiCorp's total Mid-Columbia rights on-line at the time of the Remedial Action Scheme requirement. Such access to PacifiCorp's Mid-Columbia generator dropping capability by Bonneville shall be at no cost to Bonneville.
- (6) To the extent that PacifiCorp does not have the capability on-line to provide generator dropping from its Mid-Columbia rights for its net North-to-South AC Intertie schedules, Bonneville shall, to the extent it has available on-line generation, provide generator dropping capability to PacifiCorp at no cost to PacifiCorp.
- (7) In support of PacifiCorp's net South-to-North schedules on the AC Intertie, PacifiCorp shall be responsible for making arrangements for any load dropping requirements.
- (8) To the extent possible, as determined by Bonneville, Bonneville shall offer to sell Remedial Action Scheme service to PacifiCorp to enable PacifiCorp to meet its obligations under this section 4(e).
- (9) Nothing in this section 4(e) shall be construed so as to diminish in any way PacifiCorp's obligation to provide or assure, at its cost, the provision of its pro-rata share of remedial action schemes required to support the RTC and the OTC of the AC Intertie in either the North-to-South or South-to-North direction.
- (f) When PacifiCorp schedules deliveries pursuant to this Agreement or any agreement for use of AC Intertie capacity entered into pursuant to the LOU, including future Pacific Northwest AC Intertie Capacity Ownership

Agreements, PacifiCorp shall not be required to obtain additional main grid wheeling on Bonneville's system unless insufficient capacity exists in the combined capability of the Midpoint-Malin 500 kV line, the Malin-Meridian Line, and the Alvey-Meridian line for PacifiCorp to use its scheduling rights available to it. If there is insufficient capacity in the combined capability of the Midpoint-Malin line, the Malin-Meridian Line, or the Alvey-Meridian Line, charges will be applied by Bonneville to PacifiCorp consistent with subsection 5(e)(3) of the AC Intertie Agreement, Contract No. DE-MS79-94BP94332.

5. PAYMENT PROVISIONS

- (a) As compensation for the AC Intertie transmission services provided hereunder, PacifiCorp shall pay Bonneville, in accordance with the provisions of Exhibits B and C, and as follows:
 - (1) PacifiCorp shall pay Transmission Demand charges for North-to-South and for South-to-North service, which shall equal the sum of the products obtained by multiplying the North-to-South and the South-to-North Transmission Demands for each month by the Demand Charge; and
 - (2) PacifiCorp shall pay for energy transmitted hereunder each month, determined as follows:
 - (A) For North-to-South service, PacifiCorp shall pay an amount for energy transmitted hereunder which shall be the greater of (1) the product obtained by multiplying the North-to-South Billing Energy for each month by the Energy Charge, or (2) a minimum energy payment, based upon the Energy Charge and an 85 percent load factor. Such minimum energy payment shall be calculated as follows: $\text{Transmission Demand (MW)} \times 8760 \text{ hours} \times \text{Energy Charge (m/kWh)} \times 0.85 \div 12$; and

- (B) For South-to-North service, PacifiCorp shall pay an amount for energy transmitted hereunder which shall equal the product obtained by multiplying the South-to-North Billing Energy for each month by the Energy Charge.
- (C) Such payment shall include charges determined by multiplying the amount of hourly losses, calculated in accordance with the transmission loss factor specified in Exhibit D, by the Energy Charge.

6. TRANSMISSION LOSSES

To compensate Bonneville for Electric Power losses incurred in providing the services hereunder, both for deliveries from PacifiCorp and for deliveries to PacifiCorp, PacifiCorp shall schedule and make available to Bonneville on the corresponding hour 168 hours later or on another hour to be agreed upon by the Parties, and at points to be agreed upon by the Parties, the amounts of Electric Power calculated in accordance with the Loss Factors specified in Exhibit D.

7. POWER SCHEDULING

PacifiCorp shall submit, or arrange to have submitted, to Bonneville by 1400 hours Pacific Time on each Workday:

- (a) a separate schedule for North-to-South and South-to-North transfers of Electric Power to be made available to Bonneville for each hour of the following day or days through the next Workday. Such North-to-South and South-to-North schedules may be netted against each other. Changes to such schedules by PacifiCorp shall be accepted up to 30 minutes prior to the hour for which such schedule change is desired;
- (b) separate schedules of the hourly amounts of Electric Power to be made available pursuant to section 6 for transmission losses for each hour of the following day or days through the next Workday;

- (c) changes to schedules other than those permitted pursuant to subsection 7(a) shall be accepted at any time as mutually agreed by the Parties.

8. REVISION OF EXHIBITS

- (a) The initial rate schedules attached as Exhibit B have been confirmed and approved by the FERC on an interim basis. The UFT rate schedule has been approved on a final basis. If the final rate schedules which are approved by the FERC are amendments or modifications of the initial rate schedules, the applicable amended or modified rate schedules and associated General Transmission Rate Schedule Provisions shall be attached hereto and made a part of this Agreement effective as of the date specified in the FERC's approval.
- (b) The rate schedules and General Transmission Rate Schedule Provisions included in Exhibit B shall be replaced by successor rate schedules and provisions in accordance with the provisions of section 7(i) of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) and FERC rules.
- (c) Bonneville shall annually review Exhibit D and shall revise such exhibit as appropriate to incorporate values which represent then current AC Intertie and DC Intertie operating conditions or to incorporate any value, used in such exhibit to calculate the Electric Power losses, which has changed due to a change in methodology. Any changes to the loss methodology or formula, other than numerical values, shall only be made after consultation with PacifiCorp. Bonneville shall prepare a new Exhibit D incorporating any revision and the revised exhibit shall become effective as of the date specified therein.
- (d) If Bonneville determines that any charge specified in this Agreement must be changed pursuant to sections 19 or 38 of Exhibit A, it shall prepare a revised exhibit as appropriate incorporating such revised charges. Such new exhibit

shall be substituted for the exhibit then in effect and shall become effective as of the date specified therein.

- (e) If the Parties agree to any changes to Exhibit C pursuant to this Agreement Bonneville shall prepare and issue a revised Exhibit C.

9. WAIVER OF BONNEVILLE'S ENERGY SERVICE OBLIGATION

- (a) PacifiCorp agrees that the disposition of Electric Energy for use outside the Pacific Northwest pursuant to the Western Sales Agreement and the Redding Sales Agreement shall result in a reduction of Bonneville's obligation to PacifiCorp under section 5(b) of the Northwest Power Act. Bonneville's obligation to supply firm power under the Power Sales Contract, as amended or replaced, shall be reduced by the maximum amount of Electric Energy which PacifiCorp is obligated to provide for use outside the Pacific Northwest pursuant to the Western Sales Agreement and the Redding Sales Agreement. Bonneville shall implement such reduction as described in subsection (b) below.
- (b) To carry out the provisions of subsection (a) above, PacifiCorp shall submit to Bonneville a revised Firm Resources Exhibit and associated data as specified under the Power Sales Contract effective on the effective date of the notice pursuant to subsection (a) above. The Firm Resources Exhibit shall include, as a Firm Resource, the amount of PacifiCorp's obligation to provide Electric Energy for use outside of the Pacific Northwest pursuant to the Western Sales Agreement and the Redding Sales Agreement.

10. COMPLIANCE WITH LONG-TERM INTERTIE ACCESS POLICY

Except as otherwise specified in this Agreement, transmission service provided by Bonneville to PacifiCorp over the AC Intertie shall be subject to the terms of the LTIAP. Notwithstanding the terms of the LTIAP, the Parties agree that no mitigation charges shall be applicable under this Agreement. The Parties also agree that the transmission services being provided hereunder are in accordance with Section 4(b) of the LTIAP (New Transactions not subject to Capacity Limits). The

terms of this Agreement shall not be subject to change upon amendment of the LTIAP, except by mutual agreement of the parties; provided, however, Bonneville may change the Protected Areas Exhibit C to the LTIAP and apply such changes prospectively to resources not licensed at the time of the change without the agreement of PacifiCorp. A resource which has been licensed in the past, and for which a new license is pending, shall be considered licensed.

**11. PACIFIC NORTHWEST AC INTERTIE CAPACITY OWNERSHIP
EXCHANGE RIGHTS**

PacifiCorp shall have the right to exchange all or a portion of its AC Intertie firm transmission contract rights acquired under this Agreement with any party receiving Pacific Northwest AC Intertie Capacity Ownership (Capacity Ownership) rights for up to 125 MW of Capacity Ownership rights, to the extent the Capacity Ownership party has rights to assign all or a portion of its Capacity Ownership allocation. To the extent Bonneville has a first right of refusal to acquire Capacity Ownership rights from a Capacity Ownership party, PacifiCorp's exchange rights under this section 11 shall have priority. Such exchange between PacifiCorp and the Capacity Ownership party shall be approved by Bonneville, which approval shall not unreasonably be withheld, and shall ensure that rights, benefits and obligations

to Bonneville under the affected agreements are preserved.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in several counterparts.

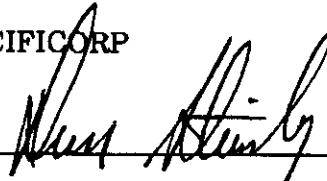
UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By 
ACTING Assistant Administrator for
Power Sales

Name Sydney D. Berwager
(Print/Type)

Date 5/26/94

PACIFICORP

By 
Name Dennis P. Steinberg
(Print/Type)

Title Senior Vice President

Date June 1, 1994

(PMTT-8170-W:PMT\CT\PACAD.DOC)

GENERAL WHEELING PROVISIONS

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GENERAL APPLICATION

1. Interpretation.

(a) The provisions in this exhibit shall be deemed to be a part of the contract body to which they are an exhibit. If a provision in such contract body is in conflict with a provision contained herein, the former shall prevail.

(b) If a provision in the General Transmission Rate Schedule Provisions is in conflict with a provision in this exhibit or the contract body, this exhibit or the contract body shall prevail.

(c) Nothing contained in this contract shall, in any manner, be construed to abridge, limit, or deprive any party thereto of any means of enforcing any remedy, either at law or in equity, for the breach of any of the provisions thereof which it would otherwise have.

2. Definitions. As used in this contract:

(a) "Contractor," "Utility" or "Borrower" means the party to this contract other than Bonneville.

(b) "Federal System" or "Federal System Facilities" means the facilities of the Federal Columbia River Power System, which for the purposes of this contract shall be deemed to include the generating facilities of the Government in the Pacific Northwest for which Bonneville is designated as marketing agent; the facilities of the Government under the jurisdiction of Bonneville; and any other facilities:

(1) from which Bonneville receives all or a portion of the generating capability (other than station service) for use in meeting Bonneville's loads, such facilities being included only to the extent Bonneville has the right to receive such capability; provided, however, that "Bonneville's loads" shall not include that portion of the loads of any Bonneville customer which are served by a nonfederal generating resource purchased or owned directly by such customer which may be scheduled by Bonneville;

(2) which Bonneville may use under contract, or license; or

(3) to the extent of the rights acquired by Bonneville pursuant to the Treaty, between the Government and Canada, relating to the cooperative development of water resources of the Columbia River Basin, signed in Washington, D.C., on January 17, 1961.

(c) "Integrated Demand" means the number of kilowatts which is equal to the number of kilowatt-hours delivered at any point during a clock hour.

(d) "Measured Demand" means the maximum Integrated Demand for a billing month determined from measurements made as specified in the contract or as determined in section 4 hereof when metering or other data are not available

for such purpose. Bonneville, in determining the Measured Demand, will exclude any abnormal Integrated Demands due to, or resulting from (a) emergencies or breakdowns on, or maintenance of, either parties' facilities, and (b) emergencies on facilities of the Transferee, provided that such facilities have been adequately maintained and prudently operated as determined by Bonneville.

If the contract provides for delivery of more than one class of power to a Transferee at any Point of Delivery, the portion of each Integrated Demand assigned to any class of power shall be determined as specified in the contract. The portion of the Integrated Demand so assigned shall constitute the Measured Demand for such class of power.

(e) "Month" means the period commencing at the time when the meters mentioned in this contract are read by Bonneville and ending approximately 30 days thereafter when a subsequent reading of such meters is made by Bonneville.

(f) "Point(s) of Delivery" means the point(s) of delivery listed either in the Points of Delivery Exhibit to this contract or in the body of this contract.

(g) "System" or "Facilities" means the transmission facilities: (1) which are owned or controlled by either party, or (2) which either party may use under lease, easement, or license.

(h) "Transferee" means an entity which receives power or energy from the system of the Transferor.

(i) "Transferor" means an entity which receives at one point on its system a supplying entity's power or energy and makes such power or energy available at another point on its system for the account of the delivering entity or a third party.

(j) "Uncontrollable Forces" means:

(1) strikes or work stoppage affecting the operation of the Contractor's works, system, or other physical facilities or of the Federal System Facilities or the physical facilities of any Transferee upon which such operation is completely dependent; the term "strikes or work stoppage" shall be deemed to include threats of imminent strikes or work stoppage which reasonably require a party or Transferee to restrict or terminate its operations to prevent substantial loss or damage to its works, system, or other physical facilities; or

(2) such of the following events as the Contractor or Bonneville or any Transferee by exercise of reasonable diligence and foresight, could not reasonably have been expected to avoid:

(A) events, reasonably beyond the control of either party or any Transferee, causing failure, damage, or destruction of any works, system or facilities of such party or Transferee; the word "failure"

shall be deemed to include interruption of, or interference with, the actual operation of such works, system, or facilities;

(B) floods or other conditions caused by nature which limit or prevent the operation of, or which constitute an imminent threat of damage to, any such works, system, or facilities; and

(C) orders and temporary or permanent injunctions which prevent operation, in whole or in part, of the works, system, or facilities of either party or any Transferee, and which are issued in any bona fide proceeding by:

i. any duly constituted court of general jurisdiction; or

ii. any administrative agency or officer, other than Bonneville or its officers, provided by law (a) if said party or Transferee has no right to a review of the validity of such order by a court of competent jurisdiction; or (b) if such order is operative and effective unless suspended, set aside, or annulled by a court of competent jurisdiction and such order is not suspended, set aside, or annulled in a judicial proceeding prosecuted by said party or Transferee in good faith; provided, however, that if such order is suspended, set aside, or annulled in such a judicial proceeding, it shall be deemed to be an "uncontrollable force" for the period during which it is in effect; provided, further, that said party or Transferee, shall not be required to prosecute such a proceeding, in order to have the benefits of this section, if the parties agree that there is no valid basis for contesting the order.

The term "operation" as used in this subsection shall be deemed to include construction, if construction is required to implement the contract and is specified therein.

3. Prior Demands.

(a) In determining any credit demand mentioned in, or money compensation to be paid under this contract for any month, Integrated Demands at which electric energy was delivered by the Transferor at Points of Delivery mentioned herein for the account of the other party to this contract prior to the date upon which the contract takes effect shall be considered in the same manner as if this contract had been in effect.

(b) If either party has delivered electric power and energy to the other party at any Point of Delivery specified in this contract or in any previous contract, and such Point of Delivery is superseded by another Point of Delivery specified in this contract, the Measured Demands, if any, at the superseded Point of Delivery shall be considered for the purpose of determining the charges paid to the Transferor for the electric power and energy delivered under this contract at such superseded point.

4. Measurements. Except as it is otherwise provided in section 7, each measurement of each meter mentioned in this contract shall be the measurement

automatically recorded by such meter or, at the request of either party, the measurement as mutually determined by the best available information.

If it is provided in this contract that measurements made by any of the meters specified therein are to be adjusted for losses, such adjustments shall be made by using factors, or by compensating the meters, as agreed upon by the parties hereto. If changes in conditions occur which substantially affect any such loss factor or compensation, it will be changed in a manner which will conform to such change in conditions.

5. Measurements and Installation of Meters. Bonneville may at any time install a meter or metering equipment to make the measurements for any Point of Delivery required for any computation or determination mentioned in this contract, and if so installed, such measurements shall be used thereafter in such computation or determination.

6. Tests of Metering Installations. Each party to this contract shall, at its expense, test its metering installations associated with this contract at least once every two years, and, if requested to do so by the other party, shall make additional tests or inspections of such installations, the expense of which shall be paid by such other party unless such additional tests or inspections show the measurements of such installations to be inaccurate as specified in section 7. Each party shall give reasonable notice of the time when any such test or inspection is to be made to the other party who may have representatives present at such test or inspection. Any component of such installations found to be defective or inaccurate shall be adjusted, repaired or replaced to provide accurate metering.

7. Adjustment for Inaccurate Metering

(a) If any meter mentioned in this contract fails to register, or if the measurement made by such meter during a test made as provided in section 6 varies by more than one percent from the measurement made by the standard meter used in such test, or if an error in meter reading occurs, adjustment shall be made correcting all measurements for the actual period during which such inaccurate measurements were made, if such period can be determined. If such period cannot be determined, the adjustment shall be made for the period immediately preceding the test of such meter which is equal to the lesser of (a) one-half the time from the date of the last preceding test of such meter, or (b) six months. Such corrected measurements shall be used to recompute the amounts of any electric power and energy to be made available, or any credits to be made in any exchange energy account, and of any money compensation to be paid to the Transferor as provided in this contract.

(b) If the credit theretofore made to the Transferor in the exchange energy account varies from the credit to be made as recomputed, the amount of the variance will be credited in such exchange energy account to the party entitled thereto.

(c) If the money compensation theretofore paid to the Transferor varies from the money compensation to be paid as recomputed, the amount of the variance will be paid to the party entitled thereto after both parties have agreed to such recomputation and within 30 days after receipt of invoice by the designated payment office of the payer; provided, however, that the other

party may deduct such amount due it from any money compensation which thereafter becomes due the Transferor under this contract.

8. Character of Service. Unless otherwise specifically provided for in the contract, electric power and energy made available pursuant to this contract shall be in the form of three-phase current, alternating at a nominal frequency of 60 hertz.

9. Point(s) of Delivery and Delivery Voltage. Electric power and energy shall be delivered to each Transferee at such point or points and at such voltage or voltages as are agreed upon by the parties hereto.

10. Combining Deliveries Coincidentally. If it is provided in this contract that charges for electric power and energy made available at two or more Points of Delivery will be made by combining deliveries at such points coincidentally:

(a) the total Measured Demand to be considered in determining the billing demand for each billing month shall be the largest sum obtained by adding for each demand interval of such month the corresponding Integrated Demands of the Transferee at all such points after adjusting said Integrated Demands as appropriate to such points;

(b) the number of kilowathours to be used in determining the energy charge, if any, and the average power factor at which electric energy is delivered at such points under this contract, during such month, shall be the sum of the amounts of electric energy delivered at such points under this contract during such month; and

(c) the number of reactive kilovolt-ampere-hours to be used in determining such average monthly power factor shall be the sum of the reactive kilovolt-ampere-hours delivered at such points under this contract such month.

11. Suspension of Deliveries. The other party to this contract may at any time notify the Transferor in writing to suspend the deliveries of electric power and energy provided for in this contract. Upon receipt of any such notice, the Transferor will forthwith discontinue, and will not resume, such deliveries until notified to do so by the other party, and upon receipt of such notice from the other party to do so, will forthwith resume such deliveries.

12. Continuity of Service. Either party may temporarily interrupt or reduce deliveries of electric power and energy if such party determines that such interruption or reduction is necessary or desirable in case of system emergencies, Uncontrollable Forces, or in order to install equipment in, make repairs to, make replacements within, make investigations and inspections of, or perform other maintenance work on its system. Except in case of emergency and in order that each party's operations will not be unreasonably interfered with, such party shall give notice to the other party of any such interruption or reduction, the reason therefor, and the probable duration thereof to the extent such party has knowledge thereof. Each party shall effect the use of temporary facilities or equipment to minimize the effect of any such interruption or outage to the extent reasonable or appropriate.

13. Uncontrollable Forces. Each party shall notify the other as soon as possible of any Uncontrollable Forces which may in any way affect the delivery of power hereunder. In the event the operations of either party are interrupted or curtailed due to such Uncontrollable Forces, such party shall exercise due diligence to reinstate such operations with reasonable dispatch.

14. Reducing Charges for Interruptions. If deliveries of electric power and energy to the Transferee are suspended, interrupted, interfered with or curtailed due to Uncontrollable Forces on either the Transferee's System or Transferor's System, or if the Transferor interrupts or reduces deliveries to the Transferee for any of the reasons stated in section 12 hereof, the credit in the exchange energy account which would otherwise be made, or the money compensation which would otherwise be paid to the Transferor, shall be appropriately reduced. No interruption, or equivalent interruption, of less than 30 minutes duration will be considered for computation of such reduction in charges.

15. Net Billing. Upon mutual agreement of the parties, payment due one party may be offset against payments due the other party under all contracts between the parties hereto for the sale and exchange of electric power and energy, use of transmission facilities, operation and maintenance of electric facilities, lease of electric facilities, mutual supply of emergency and standby electric power and energy, and under such other contracts between such parties as the parties may agree, unless otherwise provided in existing contracts between the parties. Under contracts included in this procedure, all payments due one party in any month shall be offset against payments due the other party in such month, and the resulting net balance shall be paid to the party in whose favor such balance exists unless the latter elects to have such balance carried forward to be added to the payments due it in a succeeding month.

16. Average Power Factor.

(a) The formula for determining average power factor is as follows:

$$\text{Average Power Factor} = \frac{\text{Kilowatthours}}{\sqrt{(\text{Kilowatthours})^2 + (\text{Reactive Kilovolt-ampere-hours})^2}}$$

The data used in the above formula shall be obtained from meters which are ratcheted to prevent reverse registration.

(b) When delivery of electric power and energy by the Transferor at any point is commingled with any other class or classes of power and it is impracticable to separately meter the kilowatthours and reactive kilovolt-ampere-hours for each class, the average power factor of the total delivery of such electric power and energy for the month will be used, where applicable, as the power factor for each of the separate classes.

(c) Except as it is otherwise specifically provided in this contract, no adjustment will be made for power factor at any point of delivery described in this contract while the varhours delivered at such point are not measured.

(d) The Transferor may, but shall not be obligated to, deliver electric energy hereunder at a power factor of less than 0.85 leading or lagging.

17. Permits.

(a) If any equipment or facilities associated with any Point of Delivery and belonging to a party to this contract are or are to be located on the property of the other party, a permit to install, test, maintain, inspect, replace, repair, and operate during the term of this contract and to remove such equipment and facilities at the expiration of said term, together with the right of entry to said property at all reasonable times in such term, is hereby granted by the other party.

(b) Each party shall have the right at all reasonable times to enter the property of the other party for the purpose of reading any and all meters mentioned in this contract which are installed on such property.

(c) If either party is required or permitted to install, test, maintain, inspect, replace, repair, remove, or operate equipment on the property of the other, the owner of such property shall furnish the other party with accurate drawings and wiring diagrams of associated equipment and facilities, or, if such drawings or diagrams are not available, shall furnish accurate information regarding such equipment or facilities. The owner of such property shall notify the other party of any subsequent modification which may affect the duties of the other party in regard to such equipment, and furnish the other party with accurate revised drawings, if possible.

18. Ownership of Facilities.

(a) Except as otherwise expressly provided, ownership of any and all equipment, and of all salvable facilities installed or previously installed by a party to this contract on the property of the other party shall be and remain in the installing party.

(b) Each party shall identify all movable equipment and all other salvable facilities which are installed by such party on the property of the other by permanently affixing thereto suitable markers plainly stating the name of the owner of the equipment and facilities so identified. Within a reasonable time subsequent to initial installation, and subsequent to any modification of such installation, representatives of the parties shall jointly prepare an itemized list of said movable equipment and facilities.

19. Adjustment for Change of Conditions. If changes in conditions hereafter occur which substantially affect any factor required by this contract to be used in determining (a) any credit in any exchange energy account to be made, money compensation to be paid, or amount of electric power and energy or losses to be made available to one party by the other party, or (b) any maximum replacement demand, or average power factor mentioned in this contract, such factor will be changed in an equitable manner which will conform to such changes of conditions. If an increase in the capacity of the facilities being used by the Transferor in making deliveries hereunder is required at any time after execution of this contract to enable the Transferor to make the deliveries herein required together with those required for its own operations, the construction or installation of additional or other

equipment or facilities for that purpose shall be deemed to be a change of conditions within the meaning of the preceding sentence.

If, pursuant to the terms of the agreement establishing such exchange energy account, another rate is substituted for the rate to be used in settling the balance in such account, the number of kilowatthours to be credited to the Transferor in such account for each month as provided in this agreement, shall be changed for each month thereafter to the amount computed by multiplying such number of kilowatthours by 2.5 mills and dividing the resulting product by the currently effective substituted rate in mills per kilowatthour.

20. Dispute Resolution and Arbitration.

(a) Pending resolution of a disputed matter the parties will continue performance of their respective obligations pursuant to this contract. If the parties cannot reach timely mutual agreement on any matter in the administration of this contract Bonneville shall, unless otherwise specifically provided for in subsection (b) below and, to the extent necessary for its continued performance, make a determination of such matter without prejudice to the rights of the other party. Such determination shall not constitute a waiver of any other remedy belonging to the Contractor.

(b) The questions of fact stated below shall be subject to arbitration. Other questions of fact under this contract may be submitted to arbitration upon written mutual agreement of the parties. The party calling for arbitration shall serve notice in writing upon the other party, setting forth in detail the question or questions to be arbitrated and the arbitrator appointed by such party. The other party shall, within 10 days after the receipt of such notice, appoint a second arbitrator, and the two so appointed shall choose and appoint a third. In case such other party fails to appoint an arbitrator within said 10 days, or in case the two so appointed fail for 10 days to agree upon and appoint a third, the party calling for the arbitration, upon 5 days' written notice delivered to the other party, shall apply to the person who at the time shall be the presiding judge of the United States Court of Appeals for the Ninth Circuit for appointment of the second and third arbitrator, as the case may be.

The determination of the question or questions submitted for arbitration shall be made by a majority of the arbitrators and shall be binding on the parties. Each party shall pay for the services and expenses of the arbitrator appointed by or for it, for its own attorney fees, and for compensation for its witnesses or consultants. All other costs incurred in connection with the arbitration shall be shared equally by the parties thereto.

The questions of fact to be determined as provided in this section shall be limited to:

(1) the determination of the measurements to be made by the parties hereto pursuant to section 4;

(2) the correction of the measurements to be made pursuant to section 7;

- (3) the duration of the interruption or equivalent interruption in section 14;
- (4) whether changes in conditions mentioned in section 19 have occurred;
- (5) whether the changes mentioned in section 30 were made "promptly";
- (6) whether an increase or decrease in load or change in load factor mentioned in section 32 is unusual;
- (7) any issue which both parties agree is an issue of fact mentioned in sections 30, 31, and 34;
- (8) the occurrence of an abnormal nonrecurring demand and the amount and time thereof;
- (9) whether a party has complied with section 34(b); and
- (10) the acceptable level of harmonics for purposes of section 35.

21. Contract Work Hours and Safety Standards.

This contract, if and to the extent required by applicable law and if not otherwise exempted, is subject to the following provisions:

(a) Overtime Requirements. No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics, shall require or permit any laborer or mechanic in any workweek in which such worker is employed on such work to work in excess of 8 hours in any calendar day or in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times such worker's basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of 40 hours in such workweek, as the case may be.

(b) Violation; Liability for Unpaid Wages; Liquidated Damages. In the event of any violation of the provisions of subsection (a), the Contractor and any subcontractor responsible therefor shall be liable to any affected employee for such employee's unpaid wages. In addition, such contractor and subcontractor shall be liable to the Government for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of subsection (a) in the sum of \$10 for each calendar day on which such employee was required or permitted to be employed in such work in excess of eight hours or in excess of such employee's standard workweek of 40 hours without payment of the overtime wages required by subsection (a) above.

(c) Withholding for Unpaid Wages and Liquidated Damages. Bonneville may withhold or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in subsection (b) above.

(d) Subcontracts. The Contractor shall insert in any subcontracts the clauses set forth in subsections (a) through (c) of this provision and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts which they may enter into, together with a clause requiring this insertion in any further subcontracts that may in turn be made.

(e) Records. The Contractor shall maintain payroll records containing the information specified in 29 CFR 516.2(a). Such records shall be preserved for 3 years from the completion of the contract.

22. Convict Labor. In connection with the performance of work under this contract, the Contractor agrees, if and to the extent required by applicable law or if not otherwise exempted, not to employ any person undergoing sentence of imprisonment except as provided by Public Law 89-176, September 10, 1965 (18 U.S.C. 4082(c)(2)) and Executive Order 11755, December 29, 1973.

23. Equal Employment Opportunity. During the performance of this contract, if and to the extent required by applicable law or if not otherwise exempted, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Bonneville setting forth the provisions of the Equal Opportunity clause.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which said Contractor has a collective bargaining agreement or other contract or understanding, a notice, to be provided by Bonneville, advising the labor union or worker's representative of the Contractor's commitments under this Equal Opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and relevant orders of the Secretary of Labor, or pursuant

(thereto, and will permit access to said Contractor's books, records, and accounts by Bonneville and the Secretary of Labor for purposes of investigations to ascertain compliance with such rules, regulations, and orders.

(f) In the event of the Contractor's noncompliance with the Equal Opportunity clause of this contract or with any of such rules, regulations, or orders, this contract may be cancelled, terminated, or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of paragraphs (a) through (f) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as Bonneville may direct as a means of enforcing such provisions, including sanctions for noncompliance. In the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by Bonneville, the Contractor may request the Government to enter into such litigation to protect the interests of the Government.

24. Additional Provisions. The Contractor agrees to comply with the clauses for Government contracts contained in the following statutes, Executive Orders, and regulations to the extent applicable:

(a) the Rehabilitation Act of 1973, Public Law 93-112, as amended, and 41 CFR 60-741 (affirmative action for handicapped workers);

(b) the Vietnam Era Veterans Readjustment Assistance Act of 1974, Public Law 92-540, as amended, and 41 CFR 60-250 (affirmative action for disabled veterans and veterans of the Vietnam era);

(c) Executive Order 11625 and 41 CFR 1-1.1310-2 (utilization of minority business enterprises);

(d) the Small Business Act, as amended.

25. Reports. The other party to this contract will furnish Bonneville such information as is necessary for making any computation required for the purposes of this contract, and the parties will cooperate in exchanging such additional information as may be reasonably useful for their respective operations.

26. Assignment of Contract. This contract shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this contract. Such contract or any interest therein shall not be transferred or assigned by either party to any party other than the Government or an agency thereof without the written consent of the other except as

specifically provided in this section. The consent of Bonneville is hereby given to any security assignment or other like financing instrument which may be required under terms of any mortgage, trust, security agreement or holder of such instrument of indebtedness made by and between the Contractor and any mortgagee, trustee, secured party, subsidiary of the Contractor or holder of such instrument of indebtedness, as security for bonds of other indebtedness of such Contractor, present or future; such mortgagee, trustee, secured party, subsidiary, or holder may realize upon such security in foreclosure or other suitable proceedings, and succeed to all right, title, and interests of such Contractor.

27. Waiver of Default. Any waiver at any time by any party to this contract of its rights with respect to any default of any other party thereto, or with respect to any other matter arising in connection with such contract, shall not be considered a waiver with respect to any subsequent default or matter.

28. Notices and Computation of Time. Any notice required by this contract to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 2400 hours on the date of receipt of such notice.

29. Interest of Member of Congress. No Member of, or Delegate to Congress, or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

APPLICABLE ONLY IF TRANSFEREE IS A PARTY TO THIS CONTRACT

30. Balancing Phase Demands. If required by the Transferor at any time during the term of this contract, the Transferee shall promptly make such changes as are necessary on its system to balance the phase currents at any Point of Delivery so that the current of any one phase shall not exceed the current on any other phase at such point by more than 10 percent.

31. Adjustment for Unbalanced Phase Demands. If the Transferee fails to promptly make the changes mentioned in section 30, the Transferor may, after giving written notice one month in advance, determine that the Measured Demand of the Transferee at the Point of Delivery in question during each month thereafter, until such changes are made, is equal to the product obtained by multiplying by three the largest of the Integrated Demands on any phase adjusted as appropriate to such point during such month.

32. Changes in Requirements or Characteristics. The Transferee will, whenever possible, give reasonable notice to the Transferor of any unusual increase or decrease of its demands for electric power and energy on the Transferor's system, or of any unusual change in the load factor or power factor at which the Transferee will take delivery of electric power and energy under this contract.

33. Inspection of Facilities. Each party may for any reasonable purpose under this contract inspect the other party's electric installation at any reasonable time. Such inspection, or failure to inspect, shall not render

such party, its officers, agents, or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this contract. The inspecting party shall observe written instructions and rules posted in facilities and such other necessary instructions or standards for inspection as the parties agree to. Only those electric installations used in complying with the terms of this contract shall be subject to inspection.

34. Electric Disturbances.

(a) For the purposes of this section, an electric disturbance is any sudden, unexpected, changed, or abnormal electric condition occurring in or on an electric system which causes damage.

(b) Each party shall design, construct, operate, maintain and use its electric system in conformance with accepted utility practices:

(1) to minimize electric disturbances such as, but not limited to, the abnormal flow of power which may damage or interfere with the electric system of the other party or any electric system connected with such other party's electric system; and

(2) to minimize the effect on its electric system and on its customers of electric disturbances originating on its own or another electric system.

(c) If both parties to this contract are parties to the Western Interconnected Electric System Agreement, their relationship with respect to system damages shall be governed by that Agreement.

(d) During such time as a party to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, its relations with the other party with respect to system damages shall be governed by the following sentence, notwithstanding the fact that the other party may be a party to said Agreement Limiting Liability Among Western Interconnected Systems. A party to this contract shall not be liable to the other party for damage to the other party's system or facilities caused by an electric disturbance on the first party's system, whether or not such electric disturbance is the result of negligence by the first party, if the other party has failed to fulfill its obligations under subsection (b)(2) above.

(e) If one of the parties to this contract is not a party to the Agreement Limiting Liability Among Western Interconnected Systems, each party to this contract shall hold harmless and indemnify the other party, its officers and employees, from any claims for loss, injury, or damage suffered by those to whom the first party delivers power not for resale, which loss, injury or damage is caused by an electric disturbance on the other party's system, whether or not such electric disturbance results from the negligence of such other party, if such first party has failed to fulfill its obligations under subsection (b)(2) above, and such failure contributed to the loss, injury or damage.

(f) Nothing in this section shall be construed to create any duty to, any standard of care with reference to, or any liability to any person not a party to this contract.

35. Harmonic Control. Each party shall design, construct, operate, maintain and use its electric facilities in accordance with good engineering practices to reduce to acceptable levels the harmonic currents and voltages which pass into the other party's facilities. Harmonic reductions shall be accomplished with equipment which is specifically designed and permanently operated and maintained as an integral part of the facilities of the party which owns the system on which harmonics are generated.

APPLICABLE ONLY IF TRANSFEREE IS NOT A PARTY TO THIS CONTRACT

36. Protection of the Transferor. Protection is or will be afforded to Bonneville or its Transferor under such of the following provisions and conditions as are specified in each contract executed or to be executed by Bonneville and each third party Transferee named in this contract: the power factor clause of the applicable Bonneville Wholesale Rate Schedule and the subject matter set forth in the General Contract Provisions under the following titles, namely:

Adjustment for Unbalanced Phase Demands; Uncontrollable Forces; Continuity of Service; Changes in Demands or Characteristics; Electric Disturbances; Harmonic Control; Balancing Phase Demands; Permits; Ownership of Facilities; and Inspection of Facilities.

RELATING TO RURAL ELECTRIFICATION ADMINISTRATION BORROWERS

37. Approval of Contract. If the Contractor borrows from the Rural Electrification Administration or any other entity under an indenture which requires the lender's approval of contracts, this contract and any amendment thereto shall not be binding on the parties thereto if they are not approved by the Rural Electrification Administration or such other entity. The Contractor shall notify Bonneville of any such entity. If approval is given, such contract or amendment shall be effective at the time stated therein.

APPLICABLE ONLY IF BONNEVILLE IS THE TRANSFEROR

38. Equitable Adjustment of Rates.

(a) Bonneville shall establish, periodically review and revise rates for the wheeling of electric power and/or energy pursuant to the terms of this contract. Such rates shall be established in accordance with applicable law.

(b) As used in this section, the words "Rate Adjustment Date" shall mean any date specified by Bonneville in a notice of intent to file revised rates as published in the Federal Register; provided, however, that such date shall not occur sooner than (1) nine months from the date that such notice of intent is published; or (2) twelve months from any previous Rate Adjustment Date. By giving written notice to the Contractor 45 days prior to such Rate Adjustment Date, Bonneville may delay such Rate Adjustment Date for up to 90 days if Bonneville determines either that the revenue level of the proposed rates

differs by more than five percent from the revenue requirements indicated by most recent repayment studies entered in the hearings record or that external events beyond Bonneville's control will prevent Bonneville from meeting such Rate Adjustment Date. Bonneville may cancel a notice of intent to file revised rates at any time (1) by written notice to the Contractor; or (2) by publishing in the Federal Register a new notice of intent to file revised rates which specifically cancels a previous notice.

(c) The Contractor shall pay Bonneville for the service made available under this contract during the period commencing on each Rate Adjustment Date and ending at the beginning of the next Rate Adjustment Date at the rate specified in any rate schedule available at the beginning of such period for service of the class, quality, and type provided for in this contract, and in accordance with the terms thereof, and of the General Transmission Rate Schedule Provisions, if any, as changed with, incorporated in or referred to in such rate schedule. New rates shall not be effective on any Rate Adjustment Date unless they have been approved on a final or interim basis by a governmental agency designated by law to approve Bonneville's rates. Rates shall be applied in accordance with the terms thereof, the General Transmission Rate Schedule Provisions as changed with, incorporated in or referred to in such rate schedule and the terms of this contract.

(WP-PKJ-0222f)

1993

**TRANSMISSION RATE SCHEDULES AND
GENERAL TRANSMISSION RATE SCHEDULE
PROVISIONS**

Transmission Parameters

A. Points of Interconnection.

North-to-South: Malin 500 kV
 Captain Jack 500 kV
 Alvey 500 kV
 Summer Lake 500 kV

South-to-North: COB

B. Points of Delivery.

North-to-South: COB

South-to-North: Malin 500 kV
 Captain Jack 500 kV
 Alvey 500 kV
 Summer Lake 500 kV

C. Transmission Demand.¹

1. North-to-South Transactions:

- a. 01/01/94 to 05/31/94: 75 MW
- b. 06/01/94 and thereafter: 125 MW

2. South-to-North Transactions:

- a. 01/01/94 to 05/31/94: 75 MW x Intertie South-to-North RTC ÷ 4800 MW
- b. 06/01/94 and thereafter: 125 MW x Intertie South-to-North RTC ÷ 4800 MW

¹ Transmission Demands shall be rounded to the nearest whole megawatt, unless otherwise mutually agreed.

D. Description of Points of Interconnection and Delivery.

1. ALVEY SUBSTATION:

Location: the point in Bonneville's Alvey Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in Bonneville's Alvey Substation, in the 500 kV circuits over which such Electric Power flows.

2. CAPTAIN JACK SUBSTATION:

Location: the point in Bonneville's Captain Jack Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in Bonneville's Captain Jack Substation, in the 500 kV circuits over which such Electric Power flows.

3. MALIN SUBSTATION:

Location: the point in the Malin Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in the Malin Substation, in the 500 kV circuits over which such Electric Power flows.

4. SUMMER LAKE SUBSTATION:

Location: the point in the Summer Lake Substation where the facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in the Summer Lake Substation, in the 500 kV circuits over which such Electric Power flows.

Exhibit D, Page 1 of 1
Contract No. DE-MS79-94BP94285
PacifiCorp
Effective on the Effective Date

Transmission Loss Factors

Transmission Loss Factor to be Applied to Transmission Pursuant to the
Southern Intertie Transmission (IS) Rate Schedule

<u>Rate Schedule</u>	<u>Loss Factor</u>
IS-93 B	3.0%

EXECUTIVE SUMMARY

LONG-TERM INTERTIE ACCESS POLICY

**U.S. DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION
MAY 17, 1988**

INTRODUCTION

The Pacific Northwest-Pacific Southwest Intertie began operation in 1968. Congress authorized the construction of the Intertie to provide an additional market for surplus BPA power, thereby providing greater assurance that we would repay the U.S. Treasury for the Federal investments in the Northwest's power system. To the extent there was capacity excess to Federal needs, Congress also intended that the Intertie allow nonfederal utilities in the Northwest and California to take advantage of the diverse load patterns and resource types between the two regions.

The present capability of the Intertie is about 5,200 megawatts (MW), 3,200 MW on the two alternating-current (AC) lines and 2,000 MW on the direct-current (DC) line. Ownership of the Intertie in the Northwest is shared by BPA, Portland General Electric Company (PGE) and Pacific Power & Light Company (PP&L). We provide access to all Northwest generating utilities. Ownership in California is shared by four investor-owned and municipal utilities.

In the early 1980s demand for sales over the Intertie increased dramatically. Nearly every utility in the Northwest had excess power to sell and forecasted a surplus into the next decade and beyond. Northwest utilities frequently filled the Intertie with nonfirm energy and sought to negotiate long-term transactions with California. Prior to 1984 and the implementation of the Interim Intertie Access Policy (IAP), BPA lost significant revenue opportunities by allowing other utilities unfettered access to the Intertie. Combined effects of (1) the Northwest Preference Act, 16 U.S.C. §837, *et seq.*, which gives Northwest utilities a special competitive advantage over us; (2) oversupply conditions in the Northwest; and (3) a restricted market in California due to limited ownership of the Intertie in California caused us to lose sales. We were unable to make our payments to the U.S. Treasury.

In 1984 we implemented the Interim IAP, followed by the Near-Term IAP in 1985. These policies governed access to the Intertie while we developed a Long-Term Intertie Access Policy (LTIAP).

The LTIAP, issued by the Administrator on May 17, 1988, accomplishes the following objectives which have guided us throughout the process:

1. The LTIAP assures BPA of reasonable access to the Intertie to sell both firm and nonfirm energy, thereby enhancing our ability to repay, with interest, \$8 billion in Treasury investments.
2. The policy is a reasonable and effective means of safeguarding our \$120 million investment in fish and wildlife protection.
3. It balances the competing demands of nonfederal utilities for Intertie access to sell, exchange, or purchase both firm power (through long-term contracts) and nonfirm energy (through the short-term, spot-market).

4. It provides a basis for greater planning certainty to utilities.
5. It allows for efficient use of generating resources in the Northwest and California.
6. It specifically addresses competitive concerns between California and the Northwest.
7. In doing all of the above, it strikes a balance between the Northwest and California, among generating and nongenerating utilities, other BPA customers, environmental interests and Federal taxpayers.

Issuance of this policy culminates our review of comments submitted by over 150 different utilities, regulatory agencies and interest groups. Through a combination of formal, transcribed meetings and informal discussions, we have increased our knowledge of their positions -- and they of ours. We have twice appeared before the U.S. House Subcommittee on Water and Power Resources to answer questions regarding the IAP. Though often cumbersome and lengthy, the process has produced a policy which addresses the demands of all parties.

Balancing interests. We have been put in the difficult position of balancing the competing interests for use of the Intertie. The sum of the demands placed on the Intertie far exceeds the facility's ability to meet them.

Our total-requirements customers insist that BPA should protect its revenues in order to maintain stable power rates and to repay the U.S. Treasury in a timely manner. They suggest that BPA should allocate firm and nonfirm Intertie access to itself first, always assuring that BPA would be able to sell its surplus power. Northwest generating utilities seek a policy which allows sufficient and assured access for their own firm and nonfirm sales. California parties generally argue for a policy which allows them unconstrained access to inexpensive Northwest and Canadian resources. Environmental organizations support a policy that would prevent the Intertie from encouraging development that would harm fish and wildlife resources.

Our main concern in reaching this balanced policy has been reconciling BPA's need to meet its fiscal obligations with these other competing demands for use of the Intertie. While BPA has the discretion to implement the "Federal-first" policy supported by our full requirements customers, the LTIAP instead provides significant access to nonfederal utilities for a variety of transactions while protecting BPA from revenue shortfalls.

It is not reasonable to suggest, as California commenters did in the public process, that BPA incur revenue losses to be recovered through rate increases to its total-requirements customers. These customers have a strong statutory argument -- explained in the decision -- that we should adopt a Federal-first policy to maximize Federal sales over the Intertie. By rejecting Federal-first, we incur an obligation to provide these customers with rate stability through alternative means. First among these alternative protections is the reservation of Intertie capacity for BPA sales.

If the revenue-protective measures adopted in the LTIAP prove unworkable or unduly controversial, the obvious remedy is not more access for nonfederal utilities. Instead, it is Federal-first.

FORMULA ALLOCATION

The Intertie accomodates transactions in two distinct markets. Sellers of power to California sell in two distinct markets, one for long-term transactions and one for short-term sales. Formula Allocation in the LTIAP refers to Intertie capacity made available for short-term sales of energy. We have taken a hard look at Formula Allocations as it has been one of the most hotly debated issues throughout the LTIAP's development.

The LTIAP continues the basic Formula Allocation method used in the Near Term Intertie Access Policy (NTIAP) of allocating access to the Intertie based on three possible conditions. We have changed the specifics of each Condition to reflect criticisms and suggestions made on the two LTIAP drafts. Provisions for Conditions 2 and 3 address directly the contentious anti-competitive concerns between California and the Northwest.

Condition 1. Condition 1 under the NTIAP incorporated the pre-existing Exportable Agreement, which expires on December 31, 1988. Parties to the agreement declare amounts of surplus energy available for export at the applicable BPA rate. If total declarations of exportable energy exceed the available Intertie Capacity or the size of the Pacific Southwest market, whichever is smaller, each party to the agreement is allocated access to the smaller amount based on its share of total declarations.

The 1986 draft LTIAP proposed that upon expiration of the Exportable Agreement a condition of spill or likelihood of spill on the Federal Columbia River Power System (FCRPS) would trigger Condition 1. BPA and Northwest Scheduling Utilities could declare surplus energy available for export and BPA would allocate access to the Intertie based on the ratio of each declaration to the sum of all declarations multiplied by the available Intertie Capacity. Each Scheduling Utility's allocation would be limited by the ratio of its regional hydroelectric capacity to the total regional hydroelectric capacity of the Scheduling Utilities multiplied by the total of all declarations (the "Hydro Cap").

We received comments on the 1986 draft which led us to revise Condition 1 to mirror the Exportable Agreement more closely. Under the 1987 draft a condition of spill or likelihood of spill on the FCRPS determined Condition 1. BPA and Scheduling Utilities could declare surplus energy available for export at the applicable BPA rate and receive a share of available Intertie Capacity based on the Hydro Cap. To the extent that the market for Northwest energy at BPA's price was less than the available Intertie Capacity, we allocated access to the Intertie to equal that market.

Generally, commenters on the 1987 draft did not argue against Condition 1 per se. They focused instead on its specific provisions. The bulk of the comments were directed at the Hydro Cap and at allocating Intertie capacity based on the size of the California market rather than the size of the Intertie capacity. In response to concerns heard at the public meetings in January 1988, we proposed an alternative Condition 1 allocation method. The LTIAP adopts this recent proposal.

The True-Up. The market for power in California is often less than the available Intertie capacity because of minimum generation requirements in California. As the Intertie is expanded and Southwest utilities bring on new generation that cannot be displaced with spot-market purchases, the frequency of this situation is likely to grow.

The 1987 draft allocated Intertie capacity based on the size of the California market as a protection against revenue shortfalls. Analyses indicated that we would lose approximately \$16.4 million in 1989 by allocating to the Intertie rather than the market. This loss would decrease to \$10.7 million in fiscal year 1992. Beyond 1992 the difference would increase, mainly due to projected fuel price increases.

The heart of the revenue problem is the Northwest Regional Preference Act, 16 U.S.C. 837, et seq., which requires BPA to quote an energy price to Northwest utilities before making any sale to the Southwest. This creates a problem in which Northwest utilities, which are BPA's competitors, know our price -- but we do not know their prices. In Condition 1, where the size of the Southwest market is less than available Intertie Capacity, Northwest utilities are able to use this information to undercut the BPA price and use their allocations to reduce BPA's hourly sales to a small Southwest market. If a "real-time" BPA pricing iteration were even possible, we would still be required to announce our new price to the Northwest. Regional preference makes BPA a "sitting duck" for its competitors.

Allocating according to the California market size would reduce BPA's vulnerability by reducing the size of Scheduling Utility allocations. This provision came under attack, however, from both California and Northwest parties. The alternative discussed at the January 27 public meeting seemed to allay concerns regarding BPA's market control. No one disputes that the Regional Preference Act causes BPA a revenue dilemma, especially at times when we face spill on the hydro system. The true-up alternative is the least intrusive remedy.

The Hydro Cap. Both the 1986 and 1987 LTIAP drafts allocated Intertie capacity based on a utility's hydroelectric capability. The logic for the Hydro Cap was that when the Federal system is spilling or likely to spill, the maximum allocation to utilities with greater hydroelectric resources would increase, thus decreasing the probability of wasting the resources by spilling. Under this provision, BPA's share of allocations would tend to increase due to its large hydroelectric capacity.

Much of the debate over the Hydro Cap focused on two issues. First, removing the Hydro Cap could cause hydro-based utilities to spill. Second, without the Hydro Cap, utilities could "overdeclare" by including uneconomic combustion turbines in their declarations with no intent of ever operating them.

Discussion at the January meetings helped resolve these concerns. When the Federal hydro system faces spill, other systems might not always be in the

same condition. The Hydro Cap could give disproportionately large shares of Intertie Capacity to hydro-based utilities when they may not face a threat of spill, while frustrating the marketing activities of utilities with hydro and thermal resources. Furthermore, several utilities and BPA indicated that if a utility is facing spill with insufficient access to market the available energy on the Intertie, such energy could generally displace Northwest thermal generation.

Several factors would help deter overdeclarations. First, the take-or-pay feature of our IS-87 transmission rate requires a utility to pay for its allocation whether or not it is used. Second, BPA monitors declarations and is aware of each utility's resources and capabilities. We have not observed significant overdeclarations under past policies. Third, from time to time we can request documentation on each utility's declaration as a further insurance against abuse.

Conditions 2 and 3. Allegations of anti-competitive practices on both the northern and southern portions of the Intertie were made during the debate over Formula Allocations. California commenters argue that pro-rata allocations to nonfederal utilities under the LTIAP would tend to stabilize prices at levels higher than those at which sellers might increase their total sales by reducing prices. The Northwest just as logically concludes that pro-rata allocations of California Intertie capacity suppress prices below levels that would prevail in a market where more buyers independently bid for Northwest energy.

We recognized that in implementing a long-term policy we must try to resolve this issue to meet the goals outlined for the LTIAP. We therefore proposed in section 5(d) of the 1987 draft LTIAP to cease pro-rata allocations to non-Federal utilities under Conditions 2 and 3 after completion of the third AC Intertie, provided anti-competitive problems in the Southwest were cured by that time. This proposal was discussed extensively during the public meetings in January 1988 and again in comment letters, mainly from California parties. The final LTIAP takes this proposal a step further. Section 5(d) now ceases pro-rata allocations under Conditions 2 and 3 for an 18-month experimental period.

We will analyze the success or failure of the experiment throughout its term. We will be particularly concerned about the removal of restrictions on California's portion of the Intertie. Utilities, regulators, and other interested parties will be encouraged to express their views in writing and through informal discussions. At least 30 days before the experiment ends, we will issue a written report on whether to continue the experiment.

The experiment will work as follows. Under Condition 2, when the declarations of BPA and Northwest utilities exceed Intertie capacity, we will make a pro-rata allocation to BPA and leave the remaining block of Intertie capacity available to Northwest utilities as a whole. Each Northwest utility could then compete to make sales to Southwest utilities, with no assurance of any individual allocation. Under Condition 3, when the declarations of BPA

and Northwest utilities are less than Intertie capacity, BPA will receive an allocation equal to its declaration and Northwest utilities will receive a block allocation equal to the sum of their declarations. After regional utilities, U.S. extraregional utilities and then Canada have access to remaining Intertie capacity. During Condition 3, we expect significant competition whenever the size of the California market is less than Intertie capacity.

Until the experiment is in effect, Conditions 2 and 3 are similar to those in the NTIAP and the two LTIAP drafts.

The LTIAP retains pro-rata allocations under Condition 1. Allocation under Condition 1 appears to be of less concern to California commenters than allocation during other conditions. Alternative Formula Allocation proposals recognized the importance of pro-rata allocations when the Northwest faces spill conditions. Retention of Condition 1 allocations will (1) help assure nonfederal utilities of Intertie access when hydrological conditions might otherwise force them to spill, and (2) provide an enforcement mechanism for the Protected Area provisions described below.

Some commenters have suggested that we allow access to Canadian utilities equal to that of Northwest utilities. The courts, however, have upheld our policy that capacity excess to our needs must be provided on a fair and nondiscriminatory basis first to Northwest utilities. If the Free Trade Agreement between Canada and the United States now being considered in Congress and the Canadian parliament is implemented, the distinction between U.S. extraregional utilities and Canadian utilities will no longer be made.

ASSURED DELIVERY

Utilities seek firm access to the Intertie for long-term transactions. The LTIAP refers to this kind of access as Assured Delivery. The earlier NTIAP did not provide for Assured Delivery service.

Amount. The final LTIAP reserves 800 MW for Assured Delivery transactions. This is an increase from the 420 MW reserved in the 1986 draft. BPA lost \$213 million in fiscal year 1987; we do not want to exacerbate this problem with the final LTIAP. Given these uncertainties, we are cautious about committing major portions of the Intertie for long-term nonfederal use.

Yet, the 800 MW upper limit in itself is a fairly dramatic departure from the past. It will facilitate a greater number and variety of firm transactions than before. Our studies indicate an annual revenue loss of approximately \$9 million in lost nonfirm revenue and displaced firm power sales to our public agency customers. The revenue effects on BPA have been quantified further in a study by the PNUCC. These adverse revenue effects, offset by mitigation measures discussed below, have been found acceptable by a fairly broad cross-section of commenters.

In the public meeting and comment letters, most parties seemed satisfied with the 800 MW if we were to consider increasing it upon completion of the third AC project. BPA will reassess the 800 MW limit upon commercial operation or termination of the project.

Exhibit B Allocations. As for the limits on types of transactions, BPA is convinced of the wisdom of imposing limitations on firm power sales. These limits are shown in Exhibit B of the LTIAP. From the standpoints of environmental quality and financial risks, it seems appropriate to limit Assured Delivery capacity to the amount of firm surplus presently available in the Northwest for export sales. In a change from the 1987 draft policy, the LTIAP provides that Scheduling Utilities may use their individual Exhibit B amounts for sales or exchanges.

The final LTIAP does not allocate the remaining 356 MW of Assured Delivery capacity among Scheduling Utilities. That amount will be available for exchange transactions of Scheduling Utilities on a first-come, first-served basis.

We have reached agreement (or agreement in principle) covering 341 MW of Assured Delivery service. Agreements include a 20-year 105 MW firm power sale from Montana Power Company to Los Angeles Department of Water and Power; a 41 MW firm power sale from Tacoma City Light to Western Area Power Administration (WAPA); a 45 MW firm power sale from Longview Fibre/Cowlitz County Public Utility District to WAPA; and a 20-year 150 MW seasonal exchange between The Washington Water Power Company and Pacific Gas and Electric Company. Each of these agreements accommodates our lost revenue concerns differently.

To allow for maximum use of the Intertie, a utility granted Assured Delivery may shape its firm power sale into the months of September through December by delivering up to 1.8 times its Exhibit B amount. During those fall months, spot market energy sales to the Southwest tend to be less than in the spring when the region's hydroelectric dams are more often near or in a spilling condition. If a utility shapes Assured Delivery energy into the fall, less firm energy may be shaped into remaining months of the operating year so that the total energy delivered does not exceed its annual Exhibit B energy maximum for firm sales.

BPA will also continue to work with Nonscheduling Utilities to provide the opportunity to sell the output of their generating resources over BPA's Intertie capacity.

Mitigation. Mitigation refers to conditions imposed on a utility for an Assured Delivery contract. Intertie Capacity not available to BPA because of Assured Delivery contracts executed between a Northwest utility and a Southwest utility can reduce BPA revenues and inhibit BPA's ability to make its Treasury payments. During the operating year BPA often has power available to fully load the Intertie. Assured Delivery granted under these circumstances would reduce BPA's revenues, thereby putting at risk our ability to meet our obligations to the Treasury.

This fiscal concern is in potential conflict with the policy objective underlying the 800 MW of Assured Delivery -- assisting Northwest utilities in disposing of their surpluses by means of long-term firm power sales to the Southwest. Strong objection was received from our Priority Firm Power customers to our absorbing the entire cost (lost revenues) of these transactions and the subsequent passing of the costs to them in increased rates. California and Northwest generating utilities generally tend to agree that some form of mitigation is due BPA. They question the level of compensation and what provisions for mitigation should be included in the LTIAP.

The 1986 draft of the LTIAP allowed Assured Delivery without regard to the adverse impacts on BPA's ability to sell firm power or nonfirm energy. Both the 1987 draft and the LTIAP impose mitigation upon utilities with Assured Delivery contracts. The mitigation provisions in the LTIAP provide only partial compensation for the revenue impacts resulting from transactions, but provide sufficient assurance that these transactions over the Intertie will not harm our revenue recovery.

It would be a false precision to claim that we could develop mitigation measures that offset dollar-for-dollar the losses projected in any 20-year study. Assumptions about annual rainfall, gas prices, aluminum prices, and load growth make this exercise judgmental. With this limitation in mind, the LTIAP incorporates the following mitigation provisions.

One mitigation measure requires that during any hour in which prescheduled energy sales are made under Condition 1 and Condition 2 Formula Allocation

procedures, a utility must deduct its Assured Delivery amount from its Formula Allocation amount. The total amount of Intertie access granted to each utility is equal to its Formula Allocation. If a utility's Assured Delivery amount is greater than its Formula Allocation, then that utility must purchase enough energy from BPA or, during Condition 1, other Northwest utilities to make up the difference. This mitigation measure will partially offset the spot-market revenues BPA will lose by granting Assured Delivery.

Under the other mitigation measure, if BPA has invoked Condition 1 or Condition 2 Formula Allocations, cash out provisions of exchange contracts become inoperative. Cash outs allow a Northwest utility to accept dollar payments from a Southwest utility in lieu of actual energy returns. Prohibiting these during Conditions 1 and 2 has the effect of increasing the north-to-south capability of the Intertie when energy is being returned and increasing the size of the market for BPA and Scheduling Utility sales.

The draft LTIAP required energy returns under seasonal exchanges to the California/Oregon border (COB) or the Nevada/Oregon border (NOB). This was initially included in the mitigation provisions for seasonal exchanges. However, BPA needs the certainty of available capacity resulting from return requirements at COB/NOB. For this reason, the final LTIAP includes this provision as a standard requirement for all exchanges rather than considering it a mitigation measure.

The LTIAP also allows utilities the opportunity to negotiate individual packages of mitigation in addition to the LTIAP's stated mitigation provisions. Such case-by-case mitigation packages could be a combination of the above mitigation provisions or could include beneficial arrangements for BPA that have not been addressed in this policy. Our main concern in any mitigation package is recovery of any spot-market revenue losses, but we will also be looking at the operational impacts of any proposal.

Extraregional Access. Provisions in the 1987 draft for firm transactions by extraregional utilities required that the utility must provide some benefit to BPA, such as increased storage, improved system coordination or operation, or other consideration of value. In addition, the utility must agree to the mitigation provisions of the policy. Canadian utilities were required to wait for access until after the Intertie was rated at 7900 MW.

In reconsidering this provision we saw no reason for denying Canadian utilities access for firm transactions until after the Intertie is upgraded to 7900 MW if Canadian utilities are willing to provide increased coordination or other items of value. This provision of limiting Canadian access to after an upgrade of the Intertie has been deleted from the LTIAP.

As with Formula Allocation, BPA anticipates that if the Free Trade Agreement is passed the distinction between U.S. extraregional utilities and Canadian utilities will no longer exist.

FISH AND WILDLIFE PROTECTION

Protected Areas. The LTIAP prohibits Intertie access for new hydro projects licensed within "protected areas" -- river reaches withdrawn from hydro development due to the presence of wildlife or anadromous and high-value resident fish. BPA also has designated areas where we have determined that investments in habitat, hatchery, passage, or other projects may result in the presence of anadromous fish. The Northwest Power Planning Council (Council) has proposed a protected area program that covers the entire Northwest. BPA's designations, however, cover only the Columbia River basin.

Our focus is on hydro developments which will frustrate our investments made in the region to achieve the goals of the Council's Fish and Wildlife Program. The LTIAP ensures that those expenditures and existing productive habitat will not be harmed by future hydro developments. BPA has designated protected areas by using information collected through the Council's Hydro Assessment Study.

Under the LTIAP, we will consider the Council's final protected area program or any revisions the Council may include in the future. We will also consider appropriate state comprehensive river plans. The policy should effectively eliminate utilities' fears that they never know with certainty whether a hydro resource will qualify, or continue to qualify, for access to the Intertie.

The LTIAP does not necessarily prevent hydro development in protected areas. However, the protected area provisions will send an unambiguous, self-enforcing message to FERC, other regulators, and hydro developers that no Intertie access will be provided for projects constructed in areas of greatest concern to BPA and the Council.

Enforcement. If a Scheduling Utility proceeds to acquire a license or purchase power from a hydro project developed in a protected area, BPA will reduce the amount of that utility's power transmitted over the Intertie during Condition 1. Depending upon the size of the project, the reduction may affect both Assured Delivery and Formula Allocations. These reductions will take place regardless of whether power from the protected area project is actually transmitted on the Intertie. There is no need to trace power flows from a protected area resource.

Projects not affected by the Policy. For all hydro projects not affected by BPA's protected area designations, BPA will intervene in FERC proceedings if we determine that projects -- new or existing, inside or outside the Columbia Basin -- pose significant threats to our fish and wildlife responsibilities.

The provisions do not affect hydro projects licensed before the effective date of the policy. While we recognize a potential for existing projects to harm BPA fish and wildlife investments, we do not believe there is sufficient evidence to indicate that those projects are presently operating contrary to

the Council's Fish and Wildlife Program or that the Council has been unable or unwilling to implement Program measures through the FERC process. Measures affecting existing projects in the Council's Program are explicitly directed to FERC and state agencies for implementation.

We have provided a limited procedure to provide access to the Intertie in the case of a project a developer believes will contribute to the Council's Fish and Wildlife Program and BPA investments. However, our decision to provide access relies on a clear demonstration of the benefits and a regional consensus.

Finally, the LTIAP creates a limited exception for Protected Area projects that an investor-owned utility might be forced to acquire under PURPA. To qualify, however, the affected utility must pursue all legal remedies available to avoid purchasing the Protected Area project output.

LONG-TERM INTERTIE ACCESS POLICY

**GOVERNING TRANSACTIONS OVER FEDERALLY OWNED
PORTIONS OF THE
PACIFIC NORTHWEST-PACIFIC SOUTHWEST INTERTIE**

**U.S. DEPARTMENT OF ENERGY
BONNEVILLE POWER ADMINISTRATION
MAY 17, 1988**

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FINAL LONG-TERM INTERTIE ACCESS POLICY

Section 1. Definitions

1. "Administrator" means the Administrator of Bonneville Power Administration (BPA) and is used interchangeably with BPA.
2. "Administrator's Power Marketing Program" refers to all marketing actions taken and policies developed to fulfill BPA's statutory obligations. These actions and policies are based on exercises of authority to act, consistent with sound business principles, to recover revenue adequate to amortize investments in the Federal Columbia River power and transmission systems, while encouraging diversified use of electric power at the lowest practical rates. In the Northwest, the Administrator's Power Marketing Program covers BPA's obligations to provide an adequate, reliable, economical, efficient, and environmentally acceptable power supply, while preserving public preference to Federal power. In the Southwest, the Administrator's Power Marketing Program covers activities to market surplus Federal power at equitable prices, while preserving regional and public preference to Federal power, and to assist in marketing Northwest nonfederal power.
3. "Allocation" means the share of the Intertie Capacity made available for short-term sales of energy.
4. "Assured Delivery" means firm transmission service provided by BPA under a transmission contract to wheel power covered by a contract between a Scheduling Utility and a Southwest utility. Assured Delivery contracts may not exceed 20 years in duration. The service is interruptible only in the event of an uncontrollable force or a determination made pursuant to sections 7 or 8 of this policy.
5. "Available Intertie Capacity" is defined as the physically available capacity controlled by BPA, reduced by the capacity reserved under Section 2 of this policy, and the capacity necessary to satisfy Assured Delivery contracts not subject to operational mitigation requirements under this policy.
6. "BPA Resources" means Federal Columbia River Power System hydroelectric projects; resources acquired by BPA under long-term contracts; and resources acquired pursuant to section 11(b)(6)(i) of the Federal Columbia River Transmission System Act.
7. "Exchange" refers to various types of transactions that take advantage of diversity between Northwest and Southwest loads through deliveries of firm power, at prespecified delivery rates, from North to South during the Southwest's peak demands and returns of capacity and/or energy from South to North during other times. Transactions vary depending on the lag between deliveries and returns. A "naked capacity" transaction might require off-peak energy returns within 24 hours, whereas a seasonal exchange might call for firm power returns within 6 months.
8. "Extraregional Utilities" are generating utilities, or divisions thereof, that do not provide retail electric service and do not own or operate significant amounts of generating capacity in the Northwest.

9. "Formula Allocation" means the process by which Intertie Capacity made available for short-term sales of energy.

10. "Intertie" means the two 500-kv alternating current (AC) transmission lines and one 1000 kv direct current (DC) line, which extend from Oregon into California or Nevada, and any additions thereto identified by BPA as Pacific Northwest-Pacific Southwest Intertie facilities.

11. "Intertie Capacity" means the North to South transmission capacity of the Intertie controlled by BPA through ownership or contract; increased by power scheduled South to North, decreased by loop flow, outages, and other factors that reduce transmission capacity; and further decreased by Pacific Power & Light Company's schedules, under its scheduling rights at the Malin substation (BPA Contract Nos. DE-MS79-86BP92299 and DE-MS79-79BP90091).

12. "Mitigation" refers to the requirements imposed by BPA on a utility in return for an Assured Delivery contract. Mitigation helps offset operational and economic problems, attributable to a Scheduling Utility's firm power transaction, that inhibit BPA's ability to generate revenues. The Mitigation measures specified in this policy must be included in all Assured Delivery contracts, unless a scheduling utility either agrees to a specially designed charge or negotiates substitute measures with BPA on a case-by-case basis.

13. "Nonscheduling Utility" means a nonfederal Northwest utility that owns a Qualified Northwest Resource, but does not operate a generation control area within the Pacific Northwest. A Nonscheduling Utility requesting Intertie access for its resource must do so through the Scheduling Utility (or BPA) in whose control area the resource is located.

14. "Pacific Northwest" (or "Northwest") is defined in the Northwest Power Act, 16 U.S.C. §839e, as the states of Oregon, Washington, and Idaho; the portion of Montana west of the Continental Divide; portions of Nevada, Utah, and Wyoming within the Columbia River drainage basin; and any contiguous service territories of rural electric cooperatives serving inside and outside the Pacific Northwest, not more than 75 air miles from the areas referred to above, that were served by BPA as of December 1, 1980.

15. "Protected Area" means a stream reach within the Columbia River drainage basin specially protected from hydroelectric development because of the presence of anadromous or high value resident fish, or wildlife. Protected areas may also include stream reaches which could support anadromous fish if investments were made in habitat, hatcheries, passage, or other projects.

16. "Qualified Extraregional Resource" means:

(a) a generating unit located outside the Northwest that was in commercial operation on the effective date of this policy. However, the term excludes portions of units covered as Qualified Northwest Resources.

(b) after BPA has determined that the capacity of the Intertie is rated at approximately 7,900 MW, all resources located outside of the Northwest, other than the portions of extraregional resources covered as Qualified Northwest Resources.

17. "Qualified Northwest Resource" excludes BPA Resources, but includes:

(a) Resources located inside the Northwest that are in commercial operation as of the effective date of this policy.

(b) Scheduling Utility extraregional generating resources dedicated to Northwest loads on the effective date of this policy. This term includes pro rata portions of Montana Power Company's and Pacific Power and Light Company's shares of the Colstrip No. 4 generating station, based on the ratio of their respective regional loads to their respective total loads; and Idaho Power Company's share of Valmy No. 2.

(c) New regional resources of Scheduling Utilities, except for hydroelectric resources located in Protected Areas.

18. "Resource" means an electric generating unit or stack of particular electric generating units identified to supply power or capacity for sale over the Intertie.

19. "Scheduling Utility" means the Northwest portion of a nonfederal utility that operates a generation control area within the Northwest, or any utility designated as a BPA "computed requirements customer." The term excludes Utah Power & Light Company, either as a separately owned company or as a division of another corporation, which has sufficient transmission capacity to the Southwest without access to the Federal Intertie.

20. "Seasonal Exchange" means a transaction that takes advantage of seasonal diversity between Northwest and Southwest loads through transfers of firm power, at a prespecified delivery rate, from North to South during the Southwest's summer load season and from South to North during the Northwest's winter load season. Seasonal Exchanges may involve payments of additional consideration to reflect the relative seasonal values of power throughout the western United States. Seasonal Exchange schedules of Northwest utilities will be referred to as "deliveries," and schedules of Southwest utilities will be referenced as "returns." A Scheduling Utility must be able to support its summertime firm power deliveries with generating resources that are surplus to its Northwest requirements. The sum of a Scheduling Utility's energy resources for each month in which deliveries are made (with special concern for August) must exceed its corresponding Northwest loads by an amount sufficient to support the Seasonal Exchange.

21. "Section 9(1)(3) resource" means a Scheduling Utility resource that BPA has granted priority in receiving BPA transmission, storage and load factoring services as defined in §9(1)(3) of the Northwest Power Act.

Section 2. Intertie Capacity Reserved for BPA

The Administrator reserves for BPA's use Intertie Capacity sufficient to:

(a) transmit all of BPA's surplus firm power and to serve other obligations,

(b) perform obligations, including, but not limited to, the existing transmission contracts listed in Exhibit A, to the extent such obligations differ from the conditions specified in this policy,

(c) provide Assured Delivery service for transactions not subject to limits under Exhibit B to this policy, and

(d) satisfy BPA firm obligations, that have not been prescheduled, by using unutilized portions of Formula Allocation amounts.

Section 3. Conditions For Intertie Access

(a) All Intertie access will be granted pursuant to the conditions and procedures of this policy, unless otherwise specified in the three existing BPA transmission contracts listed in Exhibit A.

(b) BPA will provide Intertie access only for BPA Resources and the Qualified Northwest Resources of Scheduling Utilities, except to the extent that Qualified Extraregional Resources are permitted access under this policy.

(c) BPA will provide Assured Delivery and allocate remaining Intertie Capacity when providing such access will not substantially interfere with operating limitations of the Federal system. Examples of these limitations, which reflect BPA's obligation to operate in an economical and reliable manner consistent with prudent utility practices, include:

- (1) The BPA Reliability Criteria and Standards,
- (2) Western Systems Coordinating Council minimum operating reliability criteria,
- (3) North American Electric Reliability Council Operating Committee minimum criteria for operating reliability, and
- (4) coordination agreements among BPA, scheduling utilities and other Federal agencies regarding resource and river operations.

(d) Any utility that has contractual or ownership rights to Pacific Northwest-Pacific Southwest Intertie capacity or to other transmission lines to California or the Southwest market must fully utilize such capacity prior to receiving any access to BPA's Intertie Capacity. If a Scheduling Utility with Intertie rights needs BPA Intertie Capacity to reach a particular Southwest utility, BPA will consider negotiated swaps of capacity to accommodate such requests.

Section 4. Assured Delivery for Intertie Access

Subject to the limitations and other conditions in this section and in other sections of this policy, BPA has determined that it can provide limited Assured Delivery to Scheduling Utilities without causing substantial interference with the Administrator's Power Marketing Program.

(a) General Provisions

(1) Existing Transmission Contracts. BPA will provide Assured Delivery for the remaining terms of the firm power sale and Seasonal Exchange contracts identified in Exhibit A to this policy.

(2) Utilities Owning Or Controlling Southwest Interconnections. Assured Delivery is intended primarily for Scheduling Utilities which lack interconnections with the Southwest. Except for transactions covered by section 4(b) of this policy, a utility with capacity on an Intertie, through contract or ownership, must utilize all such capacity on a firm basis before receiving any Assured Delivery.

(3) Nature Of Transactions. BPA will not provide Assured Delivery for transactions which a Scheduling Utility cannot demonstrate to be other than an advance arrangement to sell nonfirm energy.

(4) Waiver Of BPA Service Obligation.

(A) Hydroelectric Resources. Assured Delivery contracts that facilitate the export disposition of Northwest hydroelectric energy shall provide, under 16 U.S.C. §837b(d), for a reduction of BPA's power sale contract obligation the Northwest utility, for the period of the disposition, equal to the amount of energy for which Assured Delivery is provided.

(B) Thermal Resources. Assured Delivery contracts that facilitate the export disposition of Northwest thermal energy shall provide, under 16 U.S.C. §839f(c), for a reduction of BPA's power sale contract obligation the Northwest utility, for the period of the disposition, equal to the amount of energy for which Assured Delivery is provided. Such reduction shall become effective at the time BPA determines that it has reached energy load/resource balance, or at a date as specified in the Assured Delivery contract.

(5) Exchange Contracts. Exchange contracts must specify that all return energy be scheduled to either the AC Intertie point of interconnection at the California-Oregon border ("COB") or the DC Intertie point of interconnection at the Nevada-Oregon border ("NOB"). Exchange contracts must also specify prescheduled determinations of hourly energy returns.

(6) Satisfying Requests For Assured Delivery. All relevant power contracts must be presented for review no later than the date on which a request for Assured Delivery is made.

(b) New Transactions Not Subject To Capacity Limits

(1) Joint Ventures. Joint ventures between BPA and utilities, such as firm displacement contracts, which allow BPA to increase its sales of surplus power qualify for Assured Delivery.

(2) Sales In Lieu Of Exchanges. BPA may offer to satisfy Scheduling Utility demands for Seasonal Exchanges by selling them incremental amounts of surplus firm power during winter months. Upon committing to purchase such incremental firm power at negotiated prices that reflect BPA's

lost opportunities for summer sales, a Scheduling Utility will qualify for Assured Delivery (with mitigation) to wheel an equal amount of firm capacity and energy over the Intertie during summer months.

(3) Conditions. A Scheduling Utility may request at any time the Assured Delivery of transactions identified in sections 4(b)(1) and 4(b)(2). Relevant contracts must be presented for review when Assured Delivery is requested. BPA will satisfy a request within 60 days after a Scheduling Utility has demonstrated satisfaction of the requirements of this policy.

(c) Transactions Subject To Capacity Limits Under This Policy

(1) Maximum Amounts Of Assured Delivery. BPA will provide 800 MW of Assured Delivery for firm power sales and Exchanges identified in this policy. BPA will reassess the amount of Assured Delivery capacity when the 3d AC Intertie project is either completed or abandoned. Moreover, the 800 MW amount may be subject to some reduction if the DC Terminal Expansion project is not completed on schedule.

(2) Exhibit B amounts.

(A) Current maximum. Each Scheduling Utility's maximum Assured Delivery amount for firm sales equals its average firm energy surplus, shown in Exhibit B to this policy. BPA will reserve capacity equal to each Scheduling Utility's Exhibit B allocation subject to section 4(c)(2)(D) below. Except for Montana Power Company (MPC), Tacoma City Light, and Cowlitz County Public Utility District, Exhibit B represents projected Scheduling Utility surpluses for the 1988-89 operating year. In satisfaction of all obligations to MPC under Northwest Power Act section 9(1)(3), MPC's Exhibit B amount is set at 105 MW to facilitate long-term sales of firm power from its share of the Colstrip No. 4 coal-fired generating station. Exhibit B amounts for Tacoma and Cowlitz are increased to accommodate existing firm power transactions.

(B) Shaping. Firm power sales eligible for Assured Delivery may be shaped within the following ranges. During the months of September through December, a Scheduling Utility may deliver firm energy at a rate up to 1.8 times its Exhibit B average firm surplus amount. During the months of January through August, a Scheduling Utility may deliver firm energy at a rate no greater than 1.0 times its Exhibit B amount. However, total delivered energy may not exceed the Exhibit B annual firm energy maximum.

(C) Other uses of Exhibit B amounts. BPA will not entertain Assured Delivery requests for firm power sales in excess of a utility's Exhibit B maximum. However, a Scheduling Utility may use any portion of its Exhibit B maximum, not used for firm power sales, for exchange transactions supported by Qualified Northwest Resources.

(D) Future changes. BPA may, at its discretion, revise Exhibit B to reflect changes in the firm power surpluses of individual utilities; however, the Exhibit B average firm surplus total is not subject to increase. Any unutilized Assured Delivery amount will be revoked if, upon revision, a utility's individual Exhibit B amount has declined or if a utility has sold firm power to another utility seeking to increase its Exhibit B

average firm surplus amount. A Scheduling Utility may increase its individual Exhibit B amount by purchasing surplus firm power from BPA or any Scheduling Utility with an Exhibit B amount.

(3) Other Capacity. The remaining capacity available for Assured Delivery under this policy is offered to Scheduling Utilities, on a first-come, first-served basis, for Exchange transactions supported by Qualified Northwest Resources. When section 4(c)(2)(D) of this policy is implemented to reduce the Exhibit B maximum of any Scheduling Utility, the reduction will be added to the capacity made available under this provision. Any utility with an Exhibit B amount must exhaust such capacity before requesting Assured Delivery under this provision.

(d) Mitigation

(1) Operational Mitigation

(A) Southbound deliveries. During any hour in which BPA has invoked Condition 1 or Condition 2 allocation procedures to preschedule energy deliveries, each utility's Assured Delivery amount shall be deducted from its formula allocation to determine its share of energy scheduled on the Intertie. If the remainder is negative for a given utility, then that utility must make up the difference by purchasing sufficient energy as follows:

(i) during Condition 1 from BPA or any Scheduling Utility with a Formula Allocation during that hour;

(ii) during Condition 2 from BPA, however, if BPA is not in the market the utility may purchase sufficient energy from any other utility.

(B) Northbound returns. During any hour in which BPA has invoked Condition 1 or Condition 2 allocation procedures, a utility may utilize the cash-out provisions of an Exchange contract only by reducing one-for-one the amount of North-to-South Intertie capacity otherwise available to it under this policy. The rate of cash out during any condition shall not exceed the rate at which the exchange return could have been scheduled.

(2) Negotiated mitigation. A Scheduling Utility may also elect to negotiate with BPA on a case-by-case basis a package of mitigation measures involving mutually agreeable consideration of value commensurate with the service provided.

Section 5. Formula Allocation Methods

(a) Limits On Intertie Capacity Available For Formula Allocation. Generally, BPA will determine Intertie Capacity available for Formula Allocations after first taking into account the amount of Intertie Capacity necessary to satisfy requirements of the Administrator's Power Marketing Program, existing transmission contracts listed in Exhibit A, and Assured Delivery contracts executed by BPA pursuant to this policy. However, in determining Available Intertie Capacity during Condition 1, BPA will not consider the Assured Delivery contracts to the extent they are subject to operational mitigation requirements. BPA may reduce any allocation, if additional Intertie Capacity is required to minimize revenue losses associated with actions taken to protect fish in the Columbia River drainage basin.

(b) Protected Area Decrements. Except as provided in section 4(d)(2)(A) of this policy, BPA will reduce each Scheduling Utility's allocation by any Protected Area decrement imposed pursuant to section 7(d).

(c) Allocation Methods.

(1) Condition 1

(A) Until December 31, 1988. Intertie Capacity will be allocated pursuant to the Exportable Agreement (BPA Contract No. 14-03-73155), when applicable.

(B) After December 31, 1988. Condition 1 will be in effect when the Federal hydro system is in spill or there is a likelihood of spill, as determined by BPA. Available Intertie capacity will be allocated pursuant to the following procedure:

(1) Each hour, the maximum Condition 1 allocations for BPA and each Scheduling Utility will be based on the ratio of their respective declarations to total declarations, multiplied by the Available Intertie Capacity.

(ii) During Condition 1, whenever BPA is unable to utilize its full pro rata share of Intertie usage BPA will take larger allocations on ensuing days until the difference in pro rata Intertie usage is eliminated.

(2) Condition 2

(A) When Condition 1 is not in effect, but BPA and Scheduling Utilities declare amounts of energy that exceed available Intertie capacity, Formula Allocations for BPA and each Scheduling Utility will approximate, by hour, the ratio of each declaration to the sum of all declarations, multiplied by the available Intertie capacity.

(B) If BPA sales drop below 75 percent of its allocation during Condition 2, BPA may take larger allocations on ensuing days until the difference is eliminated.

(3) Condition 3

When Condition 1 is not in effect and when the total surplus energy declared available by BPA and Scheduling Utilities is less than the total available Intertie Capacity, BPA and Scheduling Utilities' allocations will equal their declarations. The remaining Intertie capacity will be made available first to U.S. Extraregional Utilities and then to other Extraregional Utilities. Section 3(d) of this policy shall not apply to Scheduling Utilities during Condition 3.

(d) Formula Allocation Experiment. BPA is interested in exploring the proposal that it cease making individual Formula Allocations to Scheduling Utilities under Conditions 2 and 3. However, BPA must work with Northwest and Southwest utilities to develop the information capability to accommodate a new scheduling system for nonfederal access. As soon as this can be accomplished BPA will substitute the following provisions for section 5(c) on an 18-month experimental basis:

(1) Condition 1

Same as section 5(c)(1).

(2) Condition 2

(A) When Condition 1 is not in effect, but BPA and Scheduling Utilities declare amounts of energy that exceed available Intertie capacity, the Formula Allocation for BPA will approximate, by hour, the ratio of BPA's declaration to the sum of all declarations, multiplied by the Available Intertie Capacity. The remaining capacity will be made available as a block to Scheduling Utilities. Section 5(c)(2)(B) of this policy shall apply.

(3) Condition 3

When Condition 1 is not in effect and when the total surplus energy declared available by BPA and Scheduling Utilities is less than the total available Intertie Capacity, BPA's allocation will equal its declaration. The remaining Intertie capacity will be made available, first, as a block to satisfy the declarations of Scheduling Utilities, second, to U.S. Extraregional Utilities, and third to other Extraregional Utilities. Section 3(d) of this policy shall not apply during Condition 3.

(e) Data Collection and Evaluation. Commencing when this policy goes into effect and continuing during the course of the experiment described in section 5(d), BPA will collect information on the following topics relevant to future allocation procedures:

(1) effect on BPA revenue of allocating to nonfederal utilities as a group rather than individually.

(2) impairment of Intertie access for California utilities presently lacking ownership in the southern portion of the Intertie,

(3) any loss of sales to BPA due to a failure to share unused capacity among California entities with ownership or contractual interests in the Intertie,

(4) effects of the experiment on small Scheduling Utilities.

During the course of the experiment, interested parties may submit written comments and recommendations on these issues.

(f) Findings and conclusions. At least 30 days before the end of the experiment described in section 5(d), BPA shall publish a report of its findings on the experiment and its decision on whether section 5(d), with possible modification, should be continued as the permanent method of Formula Allocation.

Section 6. Access for Qualified Extraregional Resources

(a) Assured Delivery. Any request for Assured Delivery of power from a Qualified Extraregional Resource would be granted only by contract which, in addition to the Mitigation measures specified in section 4(d), must include

benefits to BPA such as increased storage, improved system coordination or operation, or other consideration of value commensurate with the services provided. Proposed contracts would be evaluated by BPA and reviewed publicly to determine whether they would cause substantial interference with the Administrator's Power Marketing Program. An environmental review would also be conducted.

(b) **Formula Allocation.** Under Condition 3, energy from Qualified Extraregional Resources has access to the Intertie. In addition, BPA may provide Extraregional Utilities with Formula Allocation under other conditions, if the utility agrees by contract either to increased participation in the Pacific Northwest's coordinated planning and operation, or to provide other consideration of value, apart from the standard BPA wheeling rate, commensurate with the services provided.

Section 7. Fish and Wildlife Protection

(a) **Purpose.** New hydroelectric projects constructed in Protected Areas may substantially decrease the effectiveness of, or substantially increase the need for, expenditures and other actions by BPA, under Northwest Power Act section 4(h), to protect, mitigate or enhance fish and wildlife resources. Intertie access will not be provided to facilitate the transmission of power generated by any new hydroelectric projects located in Protected Areas and licensed after the effective date of this policy. This provision does not apply to added capacity at existing projects.

(b) **Effect.** This section imposes automatic operational limitations on a utility by reducing the amount of energy that can be scheduled over the Intertie, thereby increasing costs or reducing revenues for any utility owning or acquiring the output of a Protected Area hydroelectric resource.

(c) **Implementation.** Protected Area designations for stream reaches in the Columbia River Basin are shown in Exhibit C to this policy. Exhibit C uses Environmental Protection Agency stream reach codes. Subject to review and possible modification, BPA will consider the adoption of comprehensive state watershed management plans and a comprehensive protected area program developed by the Pacific Northwest Electric Power and Conservation Planning Council subsequent to implementation of this policy. BPA will also consider revisions to Protected Area designations if the Council's Program is amended.

(d) **Enforcement.** If a Scheduling Utility or Nonscheduling Utility owns, or acquires the output from, a hydroelectric project covered under the restrictions of section 7(a), BPA will reduce that utility's Formula Allocation by either the nameplate rating of the project (in the case of ownership), or the amount of capacity acquired by contract.

(e) Exceptions.

(1) **PURPA Projects.** BPA will entertain requests that it not enforce the provisions of section 7 in situations where an investor-owned utility has been compelled to acquire the output of a Protected Area hydroelectric resource under section 210 of the Public Utilities Regulatory Policies Act (PURPA). To qualify for this exception, the investor-owned utility must demonstrate:

(A) that it has exercised all opportunities available under federal and state laws and regulations to decline to acquire the output of the Protected Area resource in question;

(B) that it has petitioned its state regulatory authority(ies) to reduce the rate(s) established under PURPA for purchases from Protected Area resources in recognition of the increased costs or reduced revenues caused by operation of section 7(c) of this policy;

(C) that BPA was provided reasonable notice of all relevant regulatory and judicial proceedings to allow for timely intervention in such proceedings; and

(D) after taking all of the foregoing steps and exhausting all reasonable opportunities for judicial review, that it was compelled to acquire the output of a Protected Area hydroelectric resource by final order of FERC or a state regulatory authority issued under PURPA.

(2) Projects Contributing to Council's Fish and Wildlife Program or BPA Investments. Access will be automatically denied for projects developed in protected areas unless BPA receives sufficient demonstration that a particular project will provide benefits to existing or planned BPA fish and wildlife investments or the Council's Program. BPA's determination will be based on:

(A) information provided by the project developer, Federal and state fish and wildlife agencies, and tribes; or

(B) action by the Pacific Northwest Power Planning Council.

Section 8. Other Enforcement Provisions

(a) Whenever the terms of this policy are not being met, BPA will inform the appropriate utility of the nature of the noncompliance and actions that may be taken to achieve compliance. If noncompliance is not corrected within a reasonable period, BPA may deny access for a resource and refuse to accept schedules.

(b) Upon approval of the proposed U.S.-Canada Free Trade Agreement by the Canadian Parliament and the United States Congress, any and all distinctions made in this policy between Canadian and United States Extraregional Utilities shall terminate on the effective date of the Agreement.

EXHIBIT A
EXISTING AGREEMENTS FOR INTERTIE CAPACITY

This is a list of existing BPA transmission contracts that were signed before the implementation of the NTIAP and will continue to receive Intertie access under the LTIAP.

<u>Utility</u>	<u>BPA Contract No.</u>	<u>Expiration Date</u>
Washington Water Power Company	DE-MS79-81BP90185	07/01/91
Washington Water Power Company	14-03-791101	09/01/88
Western Area Power Administration	DE-MS79-84BP91627	10/31/90

EXHIBIT B
INTERTIE CAPACITY AVAILABLE FOR ASSURED DELIVERY

BPA has reserved 800 MW of Intertie capacity to be available for nonfederal firm transactions. This capacity is allocated as follows:

A. Average Firm Surplus Allocations:

<u>UTILITY</u>	<u>AVERAGE MW FIRM SURPLUS</u>
Chelan County PUD #1	10
Cowlitz County PUD #1	45 ^{1/}
Douglas County PUD #1	0 ^{2/}
Eugene Water and Electric Board	14
Grant County PUD #1	26
Seattle City Light	23
Snohomish County PUD #1	0
Tacoma City Light	41 ^{3/}
Idaho Power Company	87
Montana Power Company	105 ^{4/}
Puget Sound Power and Light	0
Washington Water Power	93
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NOTE: The Average Firm Surplus (AFS) is directly from the PNUCC Northwest Regional Forecast of March 1987 for the period 1988-89 except as noted below. It includes resources operational on the effective date of this policy. Export contracts are included as loads. Utilities may use their AFS allocations for long term firm sales or for exchanges. Portland General Electric Company and Pacific Power & Light Company are not eligible for an AFS allocation because of their existing interconnections with the Southwest.

- ^{1/} Cowlitz Co. PUD's AFS is the amount of their existing export of the Longview Fibre resource. Longview Fibre is considered to be a Federal resource in the Northwest Regional Forecast and is not included under Cowlitz.
- ^{2/} Douglas County PUD's AFS is 2; but Douglas has previously requested to show zero.
- ^{3/} The amount displayed for Tacoma is the amount of their existing exports displayed in the Northwest Regional Forecast.
- ^{4/} Montana Power Company's AFS was increased from 80 MW to 105 MW in settlement of obligations under Northwest Power Act section 9(1)(3).

B. Intertie Capacity Available for Exchanges: The above allocations for sales of firm surplus may be used for exchanges. The remaining 356 MW of capacity is available on a first come-first serve basis for exchanges only under the terms of the LTIAP. If there is a decrease in a utility's firm surplus and the utility does not have a contract for that amount, BPA will allocate the difference to capacity available for exchanges by revising this Exhibit B.

EXHIBIT C
PROTECTED AREAS

Exhibit C corresponds to the Northwest Power Planning Council protected area designations within the Columbia Basin, as specified in the Columbia River Basin Fish and Wildlife Program. Stream reaches designated as protected areas are identified by Environmental Protection Agency stream reach codes. Information about designations are contained on hard copy computer printouts or computer diskette copies which are available to the public upon request.

This revision reduces the Transmission Demand from 125 MW to 93 MW on lines C.1.b. and C.2.b. due to implementation of the Capacity Ownership Agreement, Contract No. DE-MS79-95BP94628.

TRANSMISSION PARAMETERS

A. Points of Interconnection.

North-to-South:	Malin 500 kV Captain Jack 500 kV Alvey 500 kV Summer Lake 500 kV
South-to-North:	COB

B. Points of Delivery.

North-to-South:	COB
South-to-North:	Malin 500 kV Captain Jack 500 kV Alvey 500 kV Summer Lake 500 kV

C. Transmission Demand.^{1/}

1. North-to-South Transactions:
 - a. 01/01/94 to 05/31/94: 75 MW
 - b. 06/01/94 to 12/31/94: 125 MW
 - c. 01/01/95 and thereafter: 93 MW
2. South-to-North Transactions:
 - a. 01/01/94 to 05/31/94: $75 \text{ MW} \times \text{Intertie South-to-North RTC} \div 4800 \text{ MW}$
 - b. 06/01/94 to 12/31/94: $125 \text{ MW} \times \text{Intertie South-to-North RTC} \div 4800 \text{ MW}$
 - c. 01/01/95 and thereafter: $93 \text{ MW} \times \text{Intertie South-to-North RTC} \div 4800 \text{ MW}$

^{1/} Transmission Demands shall be rounded to the nearest whole megawatt, unless otherwise mutually agreed.

D. Description of Points of Interconnection and Delivery.

1. ALVEY SUBSTATION:

Location: the point in Bonneville's Alvey Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in Bonneville's Alvey Substation, in the 500 kV circuits over which such Electric Power flows.

2. CAPTAIN JACK SUBSTATION:

Location: the point in Bonneville's Captain Jack Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in Bonneville's Captain Jack Substation, in the 500 kV circuits over which such Electric Power flows.

3. MALIN SUBSTATION:

Location: the point in the Malin Substation, where the 500 kV facilities of Bonneville and PacifiCorp are connected;

Voltage: 500 kV;

Metering: in the Malin Substation, in the 500 kV circuits over which such Electric Power flows.

4. SUMMER LAKE SUBSTATION:

Location: the point in the Summer Lake Substation where the facilities of Bonneville and PacifiCorp are connected;

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PacifiCorp
Effective Date January 1, 1995

Voltage: 500 kV;

Metering: in the Summer Lake Substation, in the 500 kV circuits over which such Electric Power flows.

UNITED STATES OF AMERICA
Department of Energy
Bonneville Power Administration

By 
Senior Account Executive

Name Patrick G. McRae
(Print/Type)

Date January 11, 1995

PACIFICORP

By 
Name Jerry D. Miller
(Print/Type)

Title Manager, Power System
Services
Date January 23, 1995

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